

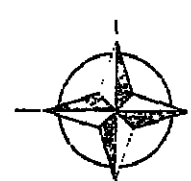
On a slow boat through the heart of Europe
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Has Nato a future?
Out of area - or out of business
Page 7

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND/AUGUST 14/15 1993

UN talks continue on Serb withdrawal from Sarajevo area

United Nations officials met Bosnian Serb leaders in Sarajevo in an attempt to resolve the dispute over Serb withdrawal from mountains overlooking the city. Serb leader Radovan Karadzic insisted that his troops had withdrawn but that UN officials were "confused" about the ceasefire line. In Geneva, peace talks were postponed until Monday to allow time to settle the dispute. Meanwhile, several European countries stepped up humanitarian efforts. In Britain, the first stage of an airlift got under way to evacuate severely injured victims from Sarajevo. Page 2: Still divided over calling the shots, Page 7

Israel agrees to talks with PLO

Palestine Liberation Organisation leader Yasser Arafat (left) appears to have outmanoeuvred Israeli prime minister Yitzhak Rabin in the reorganisation of his Middle East peace delegation, as a result of which Israel will hold face-to-face talks with negotiators openly representing the PLO when the next round of the Middle East peace process opens in Washington. Page 22

GM faces demand for documents: The US Justice Department has stepped up its investigation of the industrial spying conflict between General Motors and Volkswagen by demanding to see all GM documents relating to the case. Page 22

50 die in hotel collapse: More than 50 people died and 270 were hurt when a hotel in north east Thailand collapsed during heavy rain. A British woman tourist was missing.

Korean reform hits market: The Korean stock market tumbled after President Kim Young-sam ordered a ban on use of aliases in financial transactions in his fight against corruption and the large underground economy. Page 3

British Midland and American Airlines are to co-operate to attract passengers to the UK carrier's European services who might otherwise have travelled on British Airways. Page 4

Euro Disney, troubled leisure group behind the Euro Disneyland theme park near Paris, confirmed it was heading for heavy losses this year as it reported quarterly revenues down to FF1.47bn (\$243m) from FF1.5bn in the same period of 1992. Page 10

Daiwa Bank has stepped in to rescue Japanese broker Cosmo Securities, which reported an extraordinary loss of ¥69.8bn (\$677m) due to manipulation of its clients' accounts. Page 10

Lagos uncovers bomb plot: Nigeria's military government stepped up its propaganda campaign against its opponents claiming it had uncovered a plot by "terrorists" to carry out a bombing campaign in three big cities. Page 2

Medeva faces US lawsuit: British pharmaceuticals company Medeva faces a US lawsuit alleging it misled shareholders by making over-optimistic statements about prospects and did not reveal problems on time. Medeva, which issued a profits warning last month, said it would fight the case.

Unilever, Anglo-Dutch food and consumer products group, reported a 7 per cent rise in pre-tax profits to £564m for the second quarter. Page 8; Lex, Page 22

Mafia suspect arrested: Italian police arrested Felice Maniero, 38, one of the country's most wanted Mafia suspects, after raiding a yacht off Capri. Maniero, who faces accusations of criminal association and drug trafficking, had been a fugitive for more than two years.

China executes businessmen: Five people, including three businessmen, were executed in China's southern Hainan province for a multi-million-dollar embezzlement scheme.

Life peerages: Brenda Dean, former general secretary of the UK printing trade union Sogat, is among life peers announced in London. Others include Sir Paul Dean, former Commons deputy Speaker and Tory MP, and Sir Christopher Tugendhat, chairman of Abbey National and a former vice-president of the European Commission. Page 5

STOCK MARKET INDICES	
FT-SE 100	3010.1 (+1.9)
Nifty	1281.0 (+1.8)
FT-SE Europe 100	1488.3 (+1.6)
FT-40-Share	2874.57 (+2.11)
Nikkei	2874.57 (+2.11)
New York Composite	3093.37 (+0.28)
Dow Jones Ind Ave	448.80 (+0.32)
S&P Composite	448.80 (+0.32)
US LUNTIME RATES	
Federal Funds	5%
3-mo Treasury Bill	5.075%
Long Bond	9.93
Yield	6.329
LONDON MONEY	
3-mo Interbank	5.75% (para)
Life long gilt future	Sept 1132 (Sept 1123)
NORTH SEA OIL (August)	
Brent 15-day (Sep)	\$17.04 (16.7)
Gold	
New York Comex (Aug)	\$369.3 (375.3)
London	\$368.75 (375.25)
Tokyo close Y 102.4	

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Deal paves way for North American trade pact

By George Graham in Washington

CANADA, Mexico and the US yesterday agreed a package of measures that could open the way for a comprehensive North American Free Trade Agreement, creating a free trade zone of 370m people.

However, yesterday's accord on measures to protect workers and the environment may not be enough to win US Congress support for the deal.

In telephone negotiations that ran late into Thursday night,

Mexican and US government members bowed to Canada's refusal to allow the treaty to be enforced through trade sanctions. The concession ended an impasse that had threatened to sink the entire agreement.

Under a compromise, Canada will have special treatment. Complaints brought under the treaty against Mexico or the US would be enforced through trade sanctions. In Canada, they will be enforced through the courts.

The original NAFTA was agreed last year by former US president George Bush, President Carlos

Salinas of Mexico and Mr Brian Mulroney, the former Canadian prime minister. Mr Salinas's term ends in September next year.

President Bill Clinton has insisted that he could not support the agreement without side deals that provided adequate protection for US workers and for the environment. However, Ms Kim Campbell, Canada's new prime minister, has resisted making concessions to US demands in the run-up to a general election.

The side agreements spell out principles of labour and environmental protection, and provide

for any NAFTA country to complain against the persistent failure of another country to enforce its own laws in these areas.

If the complaint is upheld by an arbitration panel, the offending country could be obliged to remedy its failure and could be fined up to \$20m.

It is clear, however, that the side agreements have not appeased trade union and environmental groups, which fear the NAFTA could encourage jobs and polluting industries to migrate to Mexico, where environmental laws are less stringent and work-

ers' rights less well protected.

Some members of Congress appeared satisfied by the new agreements. Senator Max Baucus of Montana, who chairs the Senate environment committee, said he was generally pleased.

But Mr Richard Gephardt, the leader of the Democratic majority in the House of Representatives and a key figure in the vote on NAFTA, said he could not support the agreement as it stands.

"The side agreements fall short in important respects and taken alone are not supportable," Mr Gephardt said.

While most Republicans seem likely to support the deal, Mr Clinton is not eager to force the trade treaty through against his own party's wishes, and is reluctant to divert political capital from the healthcare reform battle, which is more central to his programme.

Mr Kantor acknowledged it would be difficult to win enough votes to pass NAFTA. "I think it is going to be a very tough fight but I think we are going to win," he said yesterday.

Details, Page 3

Belgium and France urge tough controls on international speculation

Call for curb on ERM trading

By Lionel Barber in Brussels and James Bittz in London

BELGIUM, current president of the European Community, and France have joined forces to call for tougher measures to stop currency speculators forcing devaluations of currencies inside Europe's exchange rate mechanism.

The calls reflect growing political pressure on the European continent for action to curb international trading practices in the currency markets, tempered by a realisation of the political and financial risks involved.

On Thursday, Mr Edouard Balladur, the French prime minister, blamed currency speculators for the crisis in the ERM and called for reform of the international monetary and financial system.

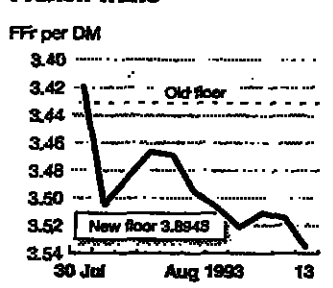
Mr Philippe Maystadt, Belgium's finance minister, noted pointedly yesterday that currency speculation was "a type of transaction which does not know any rules, no costs and no taxes". But an EC official warned that the repositioning of capital controls would split the EC and deal a serious blow to the single European market. "It is like using a nuclear weapon," he said.

The political pressure follows a month in which the credibility of the ERM has been severely undermined by currency speculation. The EC finance ministers agreed two weeks ago to widen the fluctuation bands in an effort to save the system and staunch further selling of currencies, particularly the French franc.

Yesterday the franc fell heavily against the D-Mark, dropping nearly 2% centimes to FF3.538, its lowest ever close against the German currency. The Danish krone also fell sharply for the second day running, dropping to Dkr4.1425 against the D-Mark after opening at Dkr4.1275. The Dutch guilder also fell.

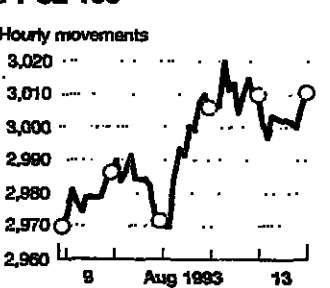
The principal reason for the franc's fall was this week's disclosure that the Bank of France had negative net foreign currency reserves. Markets were also unnerved by Mr Balladur's comments that France was considering exchange controls.

French franc



Source: FT Graphix

FT-SE 100



Source: Reuters

UK shares close at new high

THE FT-SE 100 finished yesterday at a record close, completing a week in which mounting expectations of a UK interest rate cut pushed the share index through 3,000 for the first time, writes Emma Tucker.

The index closed up 40.3 on the week at 3,010.1, with Thursday's poor economic news, including a sharp fall in UK manufacturing output and a small rise in unemployment, encouraging hopes for an early loosening of monetary policy.

This sentiment, together with a strong D-Mark, pushed the pound lower on the foreign exchanges.

Sterling ended the day down two pence at DM2.4975.

There was good news for the government in the latest unit wage and productivity figures published yesterday which showed that industry's competitiveness continues to improve. Wages and salaries per unit of manufacturing output fell by 3 per cent in the three months to the end of June, compared with the same quarter a year ago, while productivity rose by 8.2 per cent.

Industry hones competitive edge. Page 5; London stocks, Page 13; Lex, Page 22; Markets, Weekend II

EC finance ministers are scheduled to discuss the ERM crisis on September 13 in Brussels. Without pre-empting the talks, Mr Maystadt suggested ministers may wish to discuss the possible use of "safeguards", a reference to powers contained in the 1988 EC capital movement directive.

Under Article 3 of the directive, the European Commission may authorise member states to take protective measures lasting up to six months, "where short-term capital movements of exceptional magnitude impose severe strains on foreign exchange markets and lead to serious disturbances in the conduct of national monetary and exchange rate policies".

Member states may also take protective measures on their own initiative, as a matter of urgency, subject to Commission approval at a later date.

Fraud auditors freeze BT3 share allocation to hundreds

By Andrew Jack

INVESTIGATORS have frozen the allocation of British Telecom shares to several hundred individuals suspected of making illegal multiple applications in the recent BT3 offer.

Fraud auditors at accountants Price Waterhouse are gathering more information from prospective shareholders to determine whether they had made more than one application each.

Some of those identified have not made multiple applications or have done so as a result of honest mistakes, but others appear to have wilfully committed offences which could lead to fines or imprisonment, the auditors said. Investigators have traced mul-

multiple applicants through signs such as parents applying on behalf of large numbers of children, individuals giving a variant of the same name from different addresses, and apparently unconnected applications supported by cheques from the same person.

The auditors' work has been based so far on manual inspection of tens of thousands of application forms in the offices of the banks handling the share offer.

This will be supplemented by computer analysis once the database containing the amended BT share register has been delivered to Price Waterhouse.

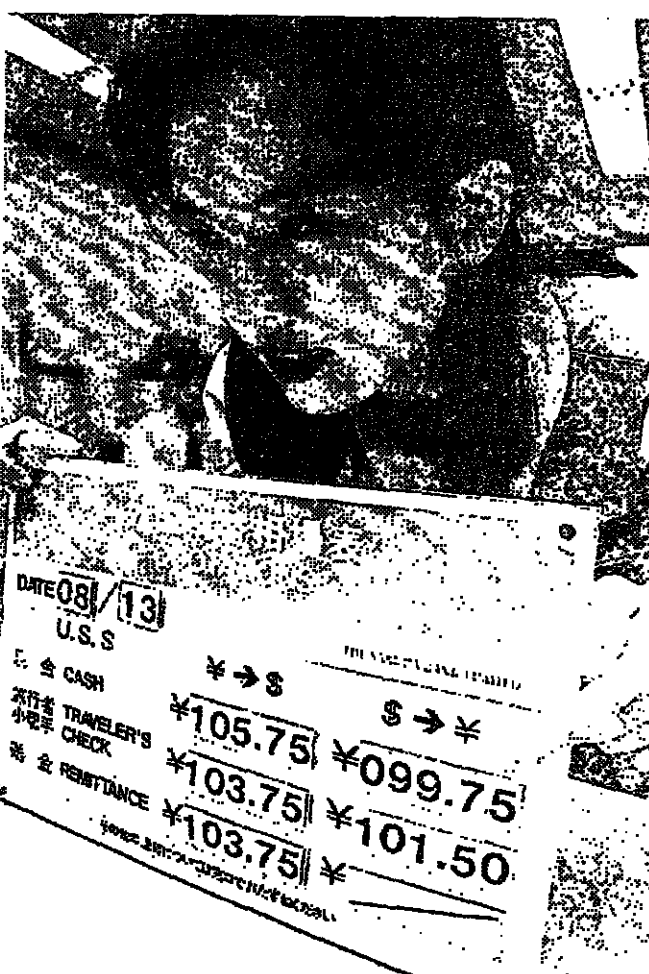
Mr Keith Wilson, a privatisation partner at the firm, is co-ordinating the fraud detection work. He said he felt instinctively that the

proportion of fraudulent applications was lower than in previous public share offerings.

He said this reflected factors including the smaller profits to be made on "staggering" (selling the shares on immediately), than in earlier privatisations and the end of the 1980s boom.

Others have been deterred by prosecutions and investigations against those who made multiple applications for previous offers, and by the fact that BT3 applicants were pre-registered, giving time to filter out false identities.

Price Waterhouse does not expect to conclude its fraud audit until the end of the year, when evidence will be passed to the police and the Crown Prosecution Service.



A Tokyo bank clerk indicates exchange rates yesterday after tourist rates in the Japanese capital broke through ¥100 to the dollar for the first time. The yen closed in Tokyo at a record ¥102.40 to the US currency compared with ¥103.37 on Thursday. Report, Page 3

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NEWS: INTERNATIONAL

Terrorist campaign blamed on 'disgruntled politician'

Lagos says bomb plot uncovered

By Paul Adams in Lagos

NIGERIA'S military government stepped up its propaganda campaign against its opponents yesterday, claiming it had uncovered a plot by "terrorists" to carry out a bombing campaign in three big cities, including the capital.

A statement by Mr Uche Chukwumerije, information minister, alleged that a "disgruntled politician" was funding a destabilisation plan from August 16 to 25 which would create a "national atmosphere of insecurity" by a series of explosions in Lagos, Abuja and Kaduna.

Although the statement did not identify the politician, most Nigerians assumed it referred to Chief Moshood Abiola, the victorious candidate in the June presidential poll which was subsequently annulled by President Ibrahim Babangida.

A civil disobedience campaign in support of Mr Abiola's claim to be the next president of Nigeria stopped business in Lagos and other south-western cities for the second day yesterday, but once again failed to win support outside the south-west, the Yoruba homeland of Abiola.

Mr Chukwumerije said the plot also involved blowing up the north-south oil pipeline from Port Harcourt to Kaduna and the same conspirator was giving N10m (£270,000) to the Nigeria Labour Congress and other dissident activists "to step up their opposition to the government".

He urged Nigerians of the folly of "suicide missions on behalf of a fleeing field marshal... at a safe distance at the headquarters of ITF in the US" - a reference to Mr Abiola, who once represented the telecommunications giant in Nigeria.

Mr Abiola has been in the US and UK to lobby for punitive measures against the military regime if it does not hand over

to an elected civilian government on August 27.

The development has led to speculation that it may be difficult for Mr Abiola, now in London, to return to Nigeria and pursue his claim on the presidency.

A spokesman in the president's office denied knowledge of the source of the allegations. The period of the alleged conspiracy covers the run-up to the formation of an unelected interim government, which Mr Abiola and most of his supporters have denounced.

The president may reveal details of the interim government in an address to the National Assembly on Monday or Tuesday at a parade on his birthday in Abuja, the new federal capital.

On August 23, four days before the scheduled handover, the government is also set to remove partially the petroleum price subsidy. A new high-grade petrol will cost 10 times as much as the present official price, which is a mere 3 US cents per litre.

The timing of the move is surprising. It is certain to be highly unpopular and was put back by the government in April when it might have led to riots just before the presidential elections. It prompted speculation yesterday that protests on the August 23 night, provide a pretext for the government to stay in office.

In the civil disobedience campaign, there was a slightly increased turnout by staff in the private sector and public transport was working. The government threat to discipline civil servants who stayed away had a limited effect in Lagos. Despite the absence of some senior officials from the Central Bank of Nigeria in Lagos, there were enough junior staff to work process the weekly bid for \$60m of foreign exchange submitted by about a third of the authorised commercial banks.

French chief for EBRD likely

By Gillian Tett and Robert Peston, Banking Editor

MR Jacques de Larosière, governor of the Banque de France, is almost certain to be the next president of the European Bank for Reconstruction and Development, after the Italian government yesterday withdrew its support from the Italian candidate, Professor Giuliano Amato.

Mr Giuseppe Maresca, the Italian director at the EBRD, said he had received a communication from his government yesterday morning, saying it would no longer be supporting Prof Amato, a former Italian prime minister.

Mr Maresca said he had been unable to establish yesterday whether the third candidate, Mr Leszek Balcerowicz of Poland, had decided to continue in the contest. But Mr Maresca said it was almost certain that Mr de Larosière would be elected. The decision to withdraw Prof Amato had been taken in close consultation with Prof Amato himself.

The French Foreign Ministry yesterday welcomed the news. A spokesman said: "We have no confirmation yet that Mr de Larosière is the only candidate. But we think he will be elected now."

The announcement marks the end of several weeks of intense political lobbying among the European countries over the successor to Mr Jacques Attali, the former president of the EBRD, who resigned last month after allegations of financial mismanagement and lavish spending.

Although Mr de Larosière had initially been considered the most likely candidate, the decision by the Italian government last month to submit Prof Amato as a nominee threatened to cause an embarrassing diplomatic split among the European governments.

However, French diplomatic lobbying, and a desire on the part of the EC officials to present a show of European unity, appear to have forced the Italians to back down.

The voting will close on August 18 and the result announced on August 19, or earlier if Mr de Larosière remains the sole candidate.

Geneva peace negotiations postponed; humanitarian efforts stepped up

Sarajevo talks on Serb pull-back

By Laura Silber in Geneva, Gillian Tett in London and Agencies

UNITED Nations officials met Bosnian Serb leaders in Sarajevo yesterday to try to resolve the dispute over Serb withdrawal from key mountains overlooking the city.

Mr Radovan Karadzic, the Bosnian Serb leader, continued to insist that his troops had withdrawn but that UN officials were "confused" about the ceasefire line.

But Commander Barry Frewer, spokesman for UN forces in Sarajevo, said he could not confirm that the Serb forces had fully withdrawn from Mount Igman, a strategic peak which they overran last week.

In Geneva, international mediators Lord Owen and Mr Thorvald Stoltenberg yesterday postponed peace talks until Monday.

The two-day break will give UN peacekeepers in Sarajevo time to settle the Igman dispute and allow the Moslem-led government, the Croats and the Serbs to prepare negotiating positions for full-scale talks.

Mr John Mills, their spokesman, said the additional three-day pause would allow time for the inspection of a ceasefire line by Brigadier Vasek Hayat, British chief of staff of UN peacekeepers in Bosnia, and a Bosnian Serb commander, General Manojlo Milovanovic, around Mount



A Serbian woman in the Bosnian village of Strijecevica cries during a funeral for six Serbs, killed in a recent Moslem attack.

Igman, south of Sarajevo. UN officials admitted that agreeing on the lines of the withdrawal around Mount Igman could take several days, given the bad weather, difficult terrain and small numbers of UN observers in the area.

Bosnia's President Alija Izetbegovic has refused to negotiate on the republic's ethnic partition until Serb forces have completely pulled out from the Igman area, of strategic importance because of a military supply route running to Sarajevo.

The weekend postponement is likely to slow the growing

momentum in calls for western military intervention to break the 17-month siege of Sarajevo. In Washington, US officials yesterday sought to play down earlier threats that they would call for Nato air strikes if the Serbs did not withdraw from the mountain.

Mr Warren Christopher, secretary of state, said he did not think that the time for military action had quite come, although he called on the Serbs to end their "strangulation" of Sarajevo.

Amid signs that the European allies remained nervous of pressing ahead with action

too rapidly, the Russian Foreign Ministry sought to distance itself from the threatened air strikes. Meanwhile, publicity over the plight of Sarajevo prompted several European countries to step up their humanitarian efforts to the city.

In Britain the first stage of a humanitarian airlift got under way to bring out a group of severely injured victims from the city. The Overseas Development Agency in London said an aircraft was flying from Britain to the Ancona airbase in Italy,

where 41 victims to be evacuated from Sarajevo will be picked up this weekend. The Swedish Foreign Ministry said it was set to bring out 14 seriously injured Bosnians.

In Sarajevo, UN officials called for more aid for the city, and a British doctor questioned the UN list of the victims, saying he had seen more pressing cases in the hospitals.

● Serbia has appealed to the International Court in The Hague over alleged Bosnian massacres of Serb civilians. The court is due to hear similar accusations, made against the Serbs, on August 25.

Judge faces probe in Italy scandal

By Haig Simonian in Milan

MR Diego Curto, one of the most senior judges on the company law bench at Milan's court of justice, has been placed under investigation in Italy's 18-month political corruption scandal.

The move followed an interrogation on Thursday at which Mr Curto, who has been practising law in Milan for the past 34 years, was questioned about his role in the period

before the demise of the Enimont chemicals concern.

Executives at Montedison, the industrial arm of the troubled Ferruzzi group, allegedly paid about L135bn (£56m) in kickbacks to politicians during the lifetime of Enimont, the ill-fated chemicals joint venture between Montedison and the state-owned Eni energy and chemicals group.

Attention turned to Mr Curto after the arrest last month of Mr Vincenzo Palladino, deputy chair-

man of Banca Commerciale Italiana, one of Italy's most prestigious banks, on allegations regarding the Enimont affair.

Mr Palladino, who is also a prominent lawyer and business consultant, was appointed legal guardian of a crucial packet of 86 per cent of Enimont's shares by Mr Curto as the battle for control between Eni and Montedison reached its peak in November 1990.

It has since emerged that Mr Palladino received L4.5bn for his efforts,

which lasted just 22 days. About half the money was allegedly paid into a foreign bank account.

Because Mr Curto himself is a judge, the allegations against him of aiding and abetting a crime were investigated by magistrates in Brescia, which is responsible for disciplinary matters in the Milan judicial district.

Mr Curto, who has presided over some of Italy's most heated corporate battles, yesterday protested his innocence.

Spain waters down plan for wages curb

By Peter Bruce in Madrid

SPAIN'S minority Socialist government yesterday stepped back from a potentially bruising battle with trade unions by withdrawing proposals for a total wage freeze next year.

The retreat came less than a month after the idea was first launched and reflects deep cabinet disquiet about how tough an approach could be adopted in cutting wages and public spending in order to help drag the country out of recession.

Prime Minister Felipe Gonzalez is keen to get agreement from the unions and employers in the next few weeks on a three-year incomes policy that, initially, was to have included a total freeze on wages and dividends next year, and a rise below inflation in 1995.

Unions quickly turned on the freeze and appear to have scared the government into relaxing the proposal. Mr Alfredo Pastor, deputy economics minister, said after meeting union leaders that the govern-

ment would now be looking to hold private sector pay rises to 2.5 per cent next year. Union leaders welcomed the movement as "intelligent" but would not say if they accepted that figure as a maximum.

Mr Pastor was less explicit about dividends, though he indicated a similar small rise might be acceptable. He implied the government would hold to its promise to freeze civil service pay next year but left open what would happen to wages in public companies.

The government appeared to be justifying its relaxed wages target by saying that a small rise would help boost domestic spending. Mr Pastor said GDP was expected to grow 0.7 per cent next year, nearly all accounted for by exports.

Pay settlements in Spain are running at over 6 per cent so far this year. Mr Pastor said he expected inflation of around 3 per cent for 1994, a target the Spanish have been declaring and missing for nearly five years. July inflation figures

out yesterday showed annualised price rises stable at 4.9 per cent, better than the markets had feared, but underlying inflation remained high at 5.9 per cent.

Mr Gonzalez has evidently calculated that a concession on wages next year was worth paying to get a quick deal on incomes as informal inter-party negotiations on passing next year's budget begin to take shape. He needs a pay deal by the time the budget reaches parliament in autumn.

Perilous problems of EC capital controls

IN THE hunt for scapegoats for the ERM debacle, foreign exchange dealers present tempting targets. In recent days, ministers in France and Belgium have called for tighter controls on international currency to curb the power of the "financial speculators".

These calls enjoy wider support on the Continent than might be imagined. Only last year, Ireland, Portugal and later Spain all imposed temporary exchange controls to protect their unsteady currencies. Some EC member states made similar noises at the emergency EC finance ministers' meeting in Brussels on August 2 which led to the de facto suspension of the ERM, according to a senior monetary source.

But the political and financial costs of introducing anything which could be interpreted as the re-imposition of capital controls look prohibitive. Such moves would split the EC into a free-trade camp led by the UK, Germany and the Netherlands and a more dirigiste-minded ramp, and would be a severe blow to the single market.

As one senior European finance official said this week: "It would mean destroying the present currency market, and that is why I think it is inconceivable. Yet I can imagine that it will be proposed. There would be accusations that we are building not only a trade fortress but a monetary fortress too."

EC finance ministers will debate various options at a meeting in Brussels on September 13. There preference will be for a Community approach rather than allowing "wild-cat" operations by individual member states.

One option likely to be discussed is temporary curbs on overall capital movements of the kind which existed in the UK up to 1979 and which were still in force in many European countries until the mid-1980s.

Under Article 3 of the EC directive providing for the free movement of capital, member states can impose "protective measures" for up to 180 days to deal with adverse currency movements affecting their exchange rate and monetary policies, subject to approval by

the European Commission and opinions of the EC's monetary committee and EC Central Bank governors.

Lionel Barber and James Blitz on the hunt for ERM scapegoats

Spain, Ireland, and Portugal all invoked this clause last year, and won retrospective endorsement from the Commission. This made it difficult for individuals or banks to borrow a currency quickly in the hope of selling it in currency markets. Similar "safeguard" measures to defend national currencies exist under Article 78 of the Maastricht treaty.

The drawback is that the country which re-imposed such controls would face a heavy financial burden, because it would unwind the heavy international investment in European bond and equity markets that has accompanied the single market programme.

Spanish equity market prices fell sharply after the government's imposed temporary controls to defend the peseta. Some economists have pointed out that it would be extraordinary for France to re-impose such controls at a time when it is privatising some of the country's big utilities by means of stock market flotations.

Alternatively, a government could tax the foreign exchange profits of the main commercial banks operating within its borders. The danger is that the foreign exchange business is a global 24-hour market. Banks could easily respond to such legislation by shifting their operations offshore.

A tax on the profits of commercial banks might not hit the currency speculators, either. In the recent ERM crises, the principal movers of capital have been hedge funds based in New York and pension funds all over the world who own international assets. Commercial bank dealers could argue that their main role is as intermediaries between the main players.

However, one leading figure in the London foreign exchange market suggested yesterday that France could consider legislation that would force commercial banks on its territory to lodge funds with the central bank in amounts that match their lending to overseas parties.

In recent ERM crises, the method by which international speculators have operated has been to borrow francs from French banks in huge quantities, sell the currency and then buy it back at a cheaper exchange rate.

If commercial banks had to lodge a sum with the central bank that was equivalent to their overseas lendings, they would in effect lose any interest premium on the loan.

This method of controlling speculation was used by the Bank of England in the 1970s under the "corset" scheme and in Germany in the so-called Bankeigentumsplan.

"It would be hard to implement and would probably need all the OECD countries acting together," said the London banker. "But I would not be surprised if the Bank of France were considering such a move this week."

So where was Bernard Tapie? Time will tell

By Alice Rawsthorn in Paris

THE tangled saga of Olympique-Marseille, the top French football team whose officials are under investigation for rigging a match against Valenciennes last season, has opened a farcical new chapter.

French police are trying to establish whether Mr Bernard Tapie, the team's owner and a former Socialist minister, tried to bribe the Valenciennes trainer to cover up the scandal.

The O-M scandal, which has dominated the French media throughout the summer, erupted in June when a Valenciennes player admitted accepting FF250,000 (£28,000) from O-M officials to play badly in a game so the Marseilles club could beat his team.

The scandal broke new heights when Mr Boro Primorac, the Valenciennes team's trainer, accused Mr Tapie of offering him a bribe in France, least to his defence by saying he was with him in Paris from 2.50pm to 3.30pm on June 17, the time when Mr Primorac said Mr Tapie was trying to bribe him.

But Mr Tapie's alibi seemed to fall apart this week when the police discovered photographs of Mr Mellick addressing a meeting of town hall employees in Bethune on June 17. The dateline on the pictures, taken by a local agency, was 2pm.

Bethune town hall is 220km away from Mr Tapie's office. Mr Mellick could not possibly have been there at 2pm and with Mr Tapie in Paris at 2.30pm.

Where was he? Mr Mellick has insisted that he was in Mr Tapie's office. He claimed that he was late for the meeting and arrived at the town hall at about 5pm. The employees at the meeting have backed his story - to the police and the French press.

The tide of public opinion seemed to be swinging in Mr Mellick's favour until reports circulated that one of the photographs seized showed the watch of Ms Brigitte Navez, a town hall employee, and that the watch shown on the watch did not tally with the mayor's story.

All the police have said is that their examination of the photograph was inconclusive. One of Mr Mellick's aides said at a press conference that Ms Navez's watch was known to be faulty. Meanwhile Mr Mellick, well aware that his own reputation as well as Mr Tapie's hangs in the balance, has agreed to be questioned by the judge investigating the O-M affair.



Traders gesture during yesterday afternoon's session at the Paris stock exchange. The French currency dropped against the D-Mark.

French industrial production down 1.9% in first quarter

By Alice Rawsthorn

THE pressures on the French economy were highlighted yesterday by publication of official figures showing that industrial production fell 1.9 per cent in the first quarter of this year compared with the previous quarter and 4.7 per cent against the first quarter last year.

Yesterday's industrial production figures, released by Insee, the state statistics institute, reflect the downward trend of previous monthly estimates but show an unexpectedly sharp output fall for capital goods, such as aerospace and industrial equipment.

The strains on industry appeared to have alleviated slightly in the second quarter. The provisional production figures for April showed a 0.8 per cent decline from March, but the May figures showed a 0.2 per cent increase. The June figures will be published on Tuesday.

Mr Edmond Alphandery, economy minister, recently used these figures as evidence that the French economy had stabilised because of the impact of the reductions in interest rates since the centre-right government took power this spring.

However, there is so far no evidence of a recovery in activ-

ity. The recent round of first-half turnover figures from French companies has painted a gloomy picture of reduced sales across the corporate sector. A number of leading industrial groups yesterday reported falls in first half sales including Michelin, the tyre maker, Rhone-Poulenc in chemicals and the Bouygues construction company.

The corporate sector may have stabilised but there is absolutely no sign of a pick-up in demand, said Mr David Harrington, French market analyst at James Capel in Paris. "Companies won't feel the full impact of lower interest rates until early next year."

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Tokyo's hotels adjust to the one-cent yen

By Gordon Cramb in Tokyo

THE SIGNBOARD at the wood-panelled foreign exchange counter of Tokyo's Imperial Hotel yesterday told the whole story. Those with dollars to sell would get just 199.75 per greenback. For the first time, the yen was worth more than a US cent.

According to Mr Akihisa Inaba, a manager at the hotel: "Many Americans came to look, but when they saw the board they just shook their heads and said 'No, not today'."

Whether next week will be any better remains to be resolved between

the country's new coalition government and the currency speculators who are punting on wholesale rates for the dollar breaking ¥100 and going even lower.

Japanese officials are trying to talk down the yen as car makers and others tremble at the impact of its appreciation on exports. But those feeling it first are in the hotel lobbies.

As the Imperial's cashier gestured obligingly for photographers capturing the unprecedented exchange rate on the board behind her, one American businessman muttered while he checked out,

counting out small change: "I don't know why I carried around all this stuff."

Another visitor put him right on the value of the lightweight aluminium coinage, which Japanese happily discard into jars beside cash registers in convenience stores. "Listen, when I got here last week I ignored it too. Now it stays in my purse because I know it's worth something."

American tourists have not been easily deterred by the strength of the yen in recent years, and the number visiting the country as holidaymakers last year grew by nearly 3 per cent to

reach almost 300,000. Their habits are becoming more frugal, however.

On their way to witness a tea ceremony at the Imperial, Mrs Rachelle Levy and her son Frank from Des Moines, Iowa, sought refreshment at a pavement vending machine which dispensed a can of Coke for a bearable ¥110, rather higher than the Midwest going rate, but about a fifth of Tokyo hotel prices.

"It contributes to an inferiority complex if you can't buy things as easily as in your own country," said Mr Levy. "You feel a bit second-class." The only advantage, according to his mother, is that a rate

of ¥100 to the dollar "makes things easier to work out - we've been computing on that basis anyway."

The basis on which the Imperial Hotel computes has been thrown a bit by the latest surge in the yen.

Just under 10 per cent of its guests are Americans, most of whom are on business and are not spending their own money. But at ¥33,000 a night for a room and occupancy dropping anyway because of the economic downturn at home, "we assume this year there will be fewer autumn bookings from abroad," says Mr Inaba. "We are thinking what to do about it."

Side deals on Nafta give accord 'bite'

By George Graham in Washington

THE NEW side agreements to the North American Free Trade Agreement negotiated by the US, Mexico and Canada lay down principles and objectives for labour and environmental protection standards in the three countries. But they also establish a disputes procedure that trade ministers claim will give real bite to the pact.

"These are historic, ground-breaking agreements and have real teeth," Mr Mickey Kantor, the US Trade Representative, said yesterday.

The disputes procedure has been the main sticking point in negotiations over the last week, with Canada firmly resisting US demands for trade sanctions to be levied if a coun-

try does not live up to its obligations under Nafta.

Telephone talks dragged from Monday, when formal negotiations broke up, until early yesterday morning, before a compromise was found that accepts a different procedure for Canada than that applied to the US and Mexico.

The disputes mechanism aims to punish the failure by central or local governments in the three countries to enforce their own labour or environmental laws, rather than the actual breach of those laws by a company or individual.

If complaints of non-enforcement brought by one country against another cannot be satisfied by consultations, an arbitration panel of experts may be set up, on the vote of two out of the three Nafta signatories.

"This panel can rule that a country 'has engaged in a persistent pattern of failure to effectively enforce.' If no action plan to remedy this failure can be agreed on, it can then fine the offending government up to \$20m - a maximum that will be adjusted upwards as the volume of trade between the three countries increases."

The split between the negotiators involved the action that would be taken if a country refused to pay this fine or con-

tinued in its failure to enforce its labour or environmental laws.

If the US or Mexico defies a panel ruling, the complaining country may impose trade sanctions by suspending the Nafta benefits in proportion to the amount of the fine. This would in effect mean tariffs being raised back towards pre-Nafta levels in specified areas.

Canada, however, has insisted that its own courts should enforce the fine and the action plan.

"The Canadians, with I think some credibility, said their courts were perfectly competent to enforce these orders," said Mr Kantor, adding that the Canadian courts would not be able to review or hear appeals against a Nafta panel ruling.

The key principles of the labour agreement - clearly targeted at Mexico - require each country to promote freedom of association, the right to strike and to bargain collectively, a ban on forced labour, restrictions on child labour, equal pay for men and women, compensation for work accidents and the protection of migrant workers.

While the disputes procedure takes aim only at a country's failure to enforce its laws, rather than at any possible inadequacy in these laws, the Nafta does require each signatory to improve working conditions and living standards over time, with annual reviews set up under the side agreements.

US trade unions have been critical of Nafta, which they believe will allow Mexico to suck jobs away from the US because of lower wages and weaker worker protection and safety standards.

Conservation groups have complained that the treaty would encourage companies to set up dirty factories on the Mexican side of the border, where they would be subjected to lower pollution control standards.

The environmental pact does not set out a list of principles, but the three countries commit themselves to high levels of environmental protection.

Under the agreements, no country may lower its standards of environmental or labour protection: new laws must set higher standards.

Mexico and the US also agreed to set up a border environment institution to co-ordinate and finance action on water and solid waste pollution in the region along their common frontier.

No agreement has yet been reached on the amount of money needed for this - estimates have ranged from around \$7bn to \$30bn - but Mr Kantor insisted this would be completed in time for the whole Nafta agreement to be submitted formally to the US Congress in September.



Kantor: ground-breaking

Currency surge 'could prolong slowdown'

By Gordon Cramb

THE YEN yesterday climbed towards the ¥100 level against the dollar, with persistent intervention by the Bank of Japan in the Tokyo foreign exchange market only partially curbing its advance.

Tourist rates in the capital broke through ¥100 to the dollar for the first time.

In a flurry of press conferences, Japanese government agencies and ministers from the new seven-party ruling coalition voiced renewed concern that the appreciation of the yen, in

hampering exports, was in danger of prolonging the country's economic slowdown.

The yen closed in Tokyo at a record ¥102.40 to the dollar compared with ¥103.37 on Thursday and ¥104.26 a week ago. It touched ¥101.80 during the day. Dealers said the central bank entered the market to sell yen for dollars and may also have bought D-Marks.

Mr Tsutomu Tanaka, deputy director general of the Economic Planning Agency, blamed the appreciation of the yen on the upheavals in the European Monetary System.

He called on European Community monetary authorities to act swiftly in stabilising their currencies.

Mr Hirohisa Fujii, who took over as finance minister on Monday, said after a morning cabinet meeting that Japan would raise with other leading industrialised countries and was "ready to take appropriate and timely steps against undesirable market developments".

Mr Jiro Saito, his deputy, added later that Japan was urging the other Group of Seven economic powers to help stem a rise against the dollar

which he described as "too fast." He noted that a G7 agreement in April to co-operate in stabilising the main traded currencies remained in force.

Their comments were taken in the market to indicate that the Bank of Japan will continue its efforts to rein back the yen. Analysts also thought a further cut in the official discount rate, perhaps of as much as half a percentage point from the current 2.5 per cent, may be in prospect by next month.

Indications in the spring that the domestic slowdown might

have bottomed out have given way in recent weeks to fears that the economy has entered a double-dip, although Mr Saito rejected this yesterday.

Indicating its conservative budgetary approach, the cabinet yesterday decided to hold the overall increase in government spending next year to 3.8 per cent, the lowest in four years, while leaving room for a 5 per cent growth in public fixed investment.

Economic indicators released yesterday gave little cause for optimism. The Bank of Japan said domestic wholesale prices for last month were unchanged

from June and down 1.6 per cent from a year earlier, assisted by cheaper oil imports because of the stronger yen - ministries are in dispute about to what extent these should be passed on to consumers.

Bankruptcies in July, according to Teikoku Data Bank, exceeded 1,000 for the sixth successive month but the liabilities involved were down 23.3 per cent year-on-year. This was in spite of the fact that they included the collapse of Nikkatsu, a film producer, with debts of nearly ¥50bn. Cosmo Securities rescued by Daiwa Bank, Page 10

Korean reform touches a raw nerve

By John Burton in Seoul

SOUTH KOREA'S financial markets yesterday discovered what President Kim Young-sam meant when he said that his political and economic reforms involved "pain-sharing".

The Korean stock market tumbled and other financial institutions were thrown into paralysis after President Kim's surprise announcement ordering an immediate ban on use of aliases in financial transactions, his latest move against corruption and the large underground economy.

Businessmen were seen weeping in restaurants when news of the swift presidential action broke Thursday night, but the general public welcomed the move as an appropriate come-uppance for the wealthy and powerful who tried to hide their fortunes from tax collectors.

"I'm in real trouble. What am I going to do?" said a 23-year-old false name account holder working for a foreign firm.

Although stock trading was restricted to two hours in the



afternoon, brokers were inundated by selling orders, totaling 100m shares with an estimated value of Won2,000bn (\$1.6bn), as investors tried to liquidate stock portfolios held under false names.

However, trading limits prevented the market from crashing, curbing the decline to a 4.46 per cent fall for the Korean composite index, which ended at 938 against 725 on Thursday. All but three shares declined to their daily bottom limit on the bourse.

The lack of buyers meant that stock trading was unusually light at 1.3m shares, compared with last week's

average of 15m shares.

Under the emergency presidential decree, those engaged in financial transactions had to produce identification to prove ownership of their accounts, a procedure that brought some financial operations to a grinding halt.

Temper flared at banks as customers came to withdraw money for the Independence Day holiday weekend and were told they had to prove that their real name matched the name on the account. Customers complained they were unable to make withdrawals from their own accounts.

"This is ridiculous," said a European businessman who had to wait an hour to identify himself due to computer problems that plagued the banks yesterday.

The problem was particularly difficult for wives who wanted to make a withdrawal from an account held in their husband's name, since it is common practice in Korea for them to keep their maiden name. Many had to go to local government offices to get a certificate proving their married status.

The problems occurred despite intensive training given yesterday morning to bank staff on how to identify customers before the banks were opened late at 2 pm.

But troubles in identifying customers were not confined to the banks. "I couldn't recognise one long-time client when he identified himself on the phone because he used his real name for the first time," said one Korean broker.

Brokers themselves were thrown in a panic over the real-name system since many use aliases in stock trading to evade a law banning them from making investments.

Some of those who pulled money from their false-name accounts were trying to keep their wealth hidden from the authorities by buying gold and jewellery, prices for which rose sharply on the black market yesterday.

Meanwhile, many short-term lenders on the Korb market remained closed as they complemented the threat of a liquidity drain as false-name account holders pull money from the market, which has been the traditional centre for

speculative investments.

A squeeze on the Korb market could cause problems for small and medium companies, which rely on the market for capital.

Mr Lee Kyung-shik, the deputy prime minister for economic affairs, acknowledged that this and other problems may be caused by the introduction of the real-name system.

"The real-name system may affect the financial and stock markets, cause financing difficulties for small and medium business, encourage property speculation and trigger capital flight in the short-term. We are taking steps to minimise these short-term effects," he said.

"But in the long term, it will promote economic growth as it is expected to channel underground money into the industrial sector."

Some analysts predict that the shock to the stock market will ease by the middle of the next week. "We expect the market will bottom out at around \$50 as investors take advantage of buying opportunities," said Mr Richard Samuelson of SG Warburg Securities in Seoul.

Seoul orders halt to strike at Hyundai

By John Burton

THE South Korean government yesterday decided to use its emergency powers for a second time within a month to end a strike at Hyundai, the country's largest conglomerate.

It ordered that workers at Hyundai Heavy Industries (HHI), the group's shipbuilding subsidiary, immediately to suspend their industrial action and return to work as a 20-day cooling off period takes effect.

HHI and Hyundai Wood Industries, a furniture company, are the last two of nine companies affected by strikes that plagued Hyundai since early June. The strike at HHI, which began July 5, has cost the group \$198m (£135m) in lost sales, including \$124m in exports.

The government said it was taking the action because of HHI's importance to the economy as the country's largest shipbuilder.

Negotiations at HHI have become bogged down over the trade union's demand that workers fired for labour activity should be reinstated and that the managers who sacked the workers should be reprimanded.

The government also intervened last month in a dispute at Hyundai Motor, the nation's largest car maker, which led to a quick settlement of the strike.

E Timor rebel has jail sentence cut

By William Keeling in Jakarta

MR Xanana Gusmao, the East Timorese rebel leader sentenced to life imprisonment by Indonesia last May, yesterday had his jail term reduced to 20 years. Diplomats say President Suharto's decision is in response to international criticism of Jakarta's human rights record.

Amnesty International, the human rights group, said Mr Gusmao's trial "failed to meet international standards of fairness," noting his defence plea was suppressed and his choice of lawyer denied.

Indonesia annexed East Timor, a former Portuguese colony, in 1975, a move not recognised by the United Nations. In his defence plea Mr Gusmao, who led the Fretilin separatist movement, accused Indonesia of "killing my people. Small and weak, they have always been subjected to foreign rule."

Government officials say Mr Gusmao has since accepted he had acted wrongfully in opposing Indonesian rule.



A French UN civilian policeman searches a boat in east Cambodia yesterday under the eyes of a Malaysian UN marine near where Vietnamese families have been killed by Khmer Rouge forces

Fed inflation scare fades away

By Michael Proulx in Washington

THE inflation scare that alarmed the US Federal Reserve earlier this year seems well and truly over. US consumer prices rose 0.1 per cent last month, following increases of 0.1 per cent in May and zero in June, the Labour Department reported yesterday.

The year-on-year rate of inflation dropped to 2.8 per cent last month. Since May consumer prices have risen at an annualised rate of less than 1 per cent, meeting the practical criterion of zero inflation. From January to April consumer prices rose at an annualised rate of over 4 per cent. Wholesale price inflation is equally subdued. Producer

prices fell both last month and in June and rose only 1.3 per cent in the year to July. Excluding the volatile food and energy components, figures for "core" consumer and wholesale price inflation also show a marked deceleration since May. The improved figures suggest the Fed will delay any tightening of monetary policy for several months.

Portugal-Brazil strategic telecoms alliance formed

By Andrew Adonis in London and Sarah Provan in Lisbon

THE international telecommunications companies of Portugal and Brazil have formed a strategic alliance which plans to invest \$200m (£140m) in upgrading services and promoting joint ventures in third countries.

The non-exclusive alliance between Marconi of Portugal and Embratel of Brazil is the latest in a series of international telecommunications deals aimed at expanding the market for multinationals and exploiting opportunities in developing regions.

With joint annual turnover of \$1.7bn last year, the companies will form one of the smaller of the new alliances. It builds on existing commercial and technical co-operation between the companies.

Mr Sequeira Braga, president of Marconi, said: "To survive as international operators we have to establish alliances to compete." He said the initial focus of the alliance would be on service improvements and co-operative marketing.

The Portuguese-Brazilian link partially mirrors a strong advance by the Spanish telecoms monopoly, Telefonica, into the telecoms market in Latin America. Telefonica has bought control of operating companies in Argentina and

Chile in the past three years. The alliance also indicates Marconi's determination to assert itself in the run-up to privatisation. The Portuguese government holds just over 50 per cent of the company and it is assumed that Portugal's three telephone operators will at some stage be drawn into the government's wide-ranging privatisation programme.

NEWS IN BRIEF

Major backs EC bid by Sweden

MR John Major, the UK prime minister, yesterday gave political impetus to Sweden's bid to join the European Community by saying that the target accession date of January 1 1995 was "realistic," reports Christopher Brown-Humes in Stockholm.

His words, at the end of a three-day visit to Sweden, will have been welcomed by his Swedish counterpart, Mr Carl Bildt, following suggestions that EC membership negotiations involving Sweden, Finland, Norway and Austria are falling behind schedule.

Mr Major said: "I am quite certain that it's a realistic proposition to negotiate within the (existing) time-frame. I don't see that a longer timetable would be more likely to lead to a more satisfactory conclusion."

Mr Major and Mr Bildt said they shared the same vision of "a larger, more open, and less intrusive" European Community."

Estonian vote annulled

Estonia's National Court has annulled the result of last month's referendum in Narva, a Russified city which voted overwhelmingly for regional autonomy, reports Matthew Kaminski in Vilnius.

The unanimous decision marks the latest act in the conflict between Estonia's government and its Russian minority, around 40 per cent of 1.6m population, over language and citizenship rights.

Moscow, keeping a close eye on the 25m Russian diaspora scattered across the former Soviet Union, repeatedly denounced Estonia's aliens and election laws and similar policies in Latvia, where Russians make up 45 per cent of the population.

Romanian rail militancy

Romanian train drivers yesterday vowed to step up their three-day strike following a supreme court decision declaring their action illegal, reports Virginia Marsh in Bucharest.

Union leaders reacted angrily to the ruling and told the drivers to go on "all-out strike" until demands for a 15 per cent pay rise and new pay differentials were met. The drivers had previously operated limited emergency services.

The strike has brought the country's railways to a near standstill and, because of the war in the former Yugoslavia, blocked the only east-west route for international rail traffic travelling through the Balkans.

Jamaican minister resigns

Mr Hugh Small resigned yesterday as Jamaica's finance minister following disagreements within the cabinet over proposed changes to the island's foreign exchange market, Camute James reports from Kingston.

In a letter to Mr P J Patterson, the prime minister, Mr Small said the changes, which were discussed and agreed at a cabinet meeting on Wednesday, were not in keeping with the government's commitment to allow the market to determine the exchange rate.

In a statement, Mr Patterson said the changes, the details of which were not given, were based on concern at the depreciation of the currency over the past few weeks. The prime minister has taken responsibility for the finance portfolio.

Mexican stocks in strong rally

By David Dodwell, World Trade Editor

MEXICO'S stock market rallied strongly yesterday as news that negotiations had been successfully concluded to the side agreements on the North American Free Trade Agreement (Nafta).

The bellwether Telefonos Mexicanos, which accounts for about 30 per cent of the market's value, leapt by almost 5 per cent, with other communications and transport stocks leading the way.

In Washington, Mr Mickey Kantor, the US Trade Representative, talked of a "historic agreement", which could "reform a trade relationship with Mexico that has been driven more by accident than design."

Only brief details of the agreement were outlined in an early statement by Mr Jaime Serra Puche, Mexico's trade minister. President Carlos Salinas de Gortari was expected to talk at greater length in a speech planned for later in the day.

According to President Clinton, speaking at a naval supply station in Oakland California, a pledge by President Salinas to make minimum wage standards part of Nafta had paved the way for an overnight breakthrough.

It was clear Mexico had in late stages of negotiation bent over backwards to accommodate US demands that the side agreements should have "teeth". Mexico will be liable for trade sanctions in the event that its companies fail to comply with national labour and environmental laws.

Negotiators emphasised that the side agreements would not require Mexico to strengthen existing labour and environmental laws - at least not immediately. Instead, sanctions would be triggered if Mexico fails to enforce existing laws.

The US and Mexico have agreed to create a commission to finance environmental and infrastructure improvements along their 2,000-mile border, but early statements left it unclear how these improvements will be funded.

NEWS: UK

Hopes high for end to postal strike

By Robert Taylor and Andrew Jack

A PEACE formula to resolve the 13-day Royal Mail dispute in Cardiff will be put to a ballot of the 900 postal workers tomorrow by the Union of Communication Workers.

Hopes of a settlement are high after the UCU's national executive agreed late on Thursday night to recommend a return to work on the basis of a framework agreement negotiated between national union officials and the Royal Mail. Details of the proposed deal have not been disclosed.

The UCU said the union's Cardiff branch will meet this morning when

national and local officials will address the staff on the contents of the framework agreement. This will be followed by an individual membership ballot tomorrow.

The UCU said strikers were "strongly advised" to attend the meeting and ballot in uniform as the premises of the Cardiff post office would be protected by security and only postal staff and union officials would be allowed in.

The Cardiff strike has paralysed delivery of well over 1m letters and has led to severe problems for companies in south Wales.

The point at issue has been the

introduction of new fixed shift patterns for the workers to replace the old roster system, a change that has taken place over a large part of the Royal Mail already.

It has taken over a week of negotiations to establish a formula for a return of work and the careful way in which union officials are handling the dispute suggests they are aware of the possible difficulties with the local branch.

Yesterday, Companies House, the government's corporate information agency in Cardiff, stepped up its efforts to negate the strike's effects.

The agency has launched a national

press advertising campaign and is considering radio announcements next week to persuade companies to send annual accounts and returns to its offices elsewhere in the country if the strike goes on.

It estimates that the strike has already cost it about £250,000 and that it will be forced to pay substantial additional overtime to staff processing the backlog.

The volume of company returns received fell to as low as 30 per cent of the normal level as a result of the strike, although it has now recovered slightly as companies have begun using alternative methods of delivery.

If the strike continues much later into this month, thousands of companies may face the prospect of late filing penalties on their annual accounts which have been held up in the post.

The agency said it would treat "sympathetically" any company returns which have been delayed in the post. "This strike is costing Cardiff business a lot of money and disruption," it said.

Outgoing post has been less affected, because the agency has been able to use private courier services and other agencies to avoid the local postal system.

British Midland in joint venture with US carrier

By Andrew Baxter

BRITISH MIDLAND and American Airlines are joining forces in the battle for more passengers by introducing "code-sharing" on the UK carrier's services from Heathrow to Brussels, Amsterdam and Glasgow.

The agreement, announced last night, is an important move for both airlines and is aimed at attracting passengers who might otherwise have travelled on British Airways.

BA is a major rival of American on transatlantic routes and of British Midland on routes between the UK and continental Europe.

Code-sharing has become increasingly common in the airline business over the past year. US carriers are not allowed to fly passengers into London and then on to other European destinations, but British Midland has a competitive advantage when the US government let British Airways enter into a code-sharing agreement with USAir.

Under yesterday's agreement, American will use its "AA" designator code on certain British Midland flights.

from Heathrow as a continuation of its own flights from six US cities - Boston, New York, Philadelphia, Miami, Chicago and Los Angeles.

Mr Austin Reed, British Midland's managing director, said: "Developing closer links with long-haul airlines is one element in our strategy to develop more business worldwide. As the second-largest user at Heathrow, we are ideally placed to transport worldwide inbound traffic to the major cities of Europe."

British Midland has a similar code-sharing agreement with United Airlines which has worked successfully for the past year.

United had no comment yesterday, but British Midland said the two arrangements would work side by side.

Earlier this year big US airlines complained that they were put at a competitive disadvantage when the US government let British Airways enter into a code-sharing agreement with USAir.

British Midland has filed an authorisation request with the US Department of Transport for the code-sharing deal.

Property industry's debt falls by 10.8%

THE AMOUNT of bank debt in the property industry has fallen by 10.8 per cent to £36.2bn from its peak of £40.8bn in May 1991, according to the Bank of England. Vanessa Houlder writes.

Bank loans to the industry fell by £550m to £36.2bn in the quarter to June 1993, the eighth consecutive quarter in which debt has fallen.

The sharpest decline was registered by the US banks, which have cut their exposure to UK property by 34 per cent over the past year to £1.26bn.

The UK banks, which have a 58 per cent share of the market, have reduced their outstanding loans by 5 per cent over the past year. Japanese banks have cut their exposure by 10 per cent over the year to £4.09bn.

Part-time council staff get pensions

LOCAL government employees working less than 15 hours a week are entitled to be included in the Local Government Pension Scheme, the largest in the country, under new regulations published yesterday by the Department of the Environment.

This follows a campaign by the GMB general union which has argued that the overwhelming majority of part-time workers are women and that their exclusion from the scheme was discriminatory. The department said the issue had been brought to its attention and it had decided that the cut-off was discriminatory.

National savings' contribution falls

NATIONAL Savings contributed £103m to government funding in July, compared with £220m in June. Gross sales of £638m were outweighed by repayments of £727m, with accrued interest amounting to £192m.

Fixed-interest certificates contributed the most to the total, at £53m, followed by capital bonds at £38m.

Newspaper deal referred to MMC

THE DEPARTMENT of Trade and Industry has, as expected, referred to the Monopolies and Mergers Commission the proposed £12.6m purchase by Trinity International of Joseph Woodhead of Huddersfield.

Trinity owns newspapers in north-west England, north Wales, Canada and the US. Woodhead publishes the Huddersfield Daily Examiner and a number of local titles.



Kristen Lippincott, who opposes the abandonment of GMT, checks her watch against Greenwich Observatory's Gate Clock

Europe's time may finally have arrived

NEARLY a quarter of a century after public opinion forced parliament to abandon an experimental period of permanent summer time, the government is on the verge of trying again.

This time there seems little likelihood that opponents will be able to mobilise the sort of public backlash which frightened MPs into submission in 1970 - just two years into a three-year experiment.

Opinion polls carried out this year by Gallup for the pressure group Daylight Extra suggest that Mr John Major's actions on the government may finally have hit on a policy which commands widespread public support.

The catalyst for change is the European Commission, which is expected to produce a draft directive next month calling for the harmonisation of EC countries' annual time changes.

The commission wants Britain and the Irish Republic, which move from summer to winter time in October, to come into line with the rest of the Community, which changes in September.

That would put an end to the awkward autumn period when time in the British Isles is briefly synchronised with the rest of Europe, only to move out of line again a few weeks later.

However, Mr Michael Howard, home secretary, wants to go further. His plan,

Kevin Brown on the support for a move further away from GMT

which has Mr Major's support, is to move Britain an hour ahead of Greenwich mean time in the winter, and two hours in the summer.

That would put Britain on central European time, along with all other Community nations except Greece. The Republic of Ireland would face the awkward choice of going along with Britain or remaining the sole member of Europe's GMT zone.

Most of the pressure for change has been applied by the Confederation of British Industry, which argues that industry is unnecessarily hampered by the existing time difference.

Ministers have also been influenced by a campaign run by Mr Angus Crichton-Miller, the London businessman who chairs Daylight Extra. He argues that an extra hour of evening daylight would be popular with millions of people who would no longer have to travel home from work in the dark in winter.

The crucial argument, however, is provided by research into the 1968-70 experiment by the government's Transport and Road Research Laboratory,

which suggests that a time switch would reduce road accident deaths by 150 a year and serious injuries by more than 2,000.

Until recently ministers believed that any proposal to move on to European time would be torpedoed by the same groups which proved so powerful in 1970.

The key opponents were farmers and construction companies, which claimed that the extra hour of morning darkness made winter working more difficult and dangerous.

The experiment was also unpopular in Scotland, where dawn arrives later than in England. However, the (English) National Farmers' Union says that it now accepts the road safety argument and is willing to accept change as long as farmers are given time to adjust.

Even in Scotland opinion is less hostile than it used to be, partly because the accident forecasts suggest that Scotland would benefit from one of the largest falls in road casualties.

So far the only implacable opposition seems to be coming from the scientific community. Ms Kristen Lippincott, curator of astronomy at the National Maritime Museum in Greenwich, historic home of Greenwich mean time, argues that a switch would mean the effective abandonment of GMT after more than 100 years as the anchor of the world's time system.

Revenue contests tax relief ruling

By Scheherazade Daneshkhu

THE INLAND Revenue is appealing against a High Court judgment which overturned its decision to deny tax relief to two £25m business expansion schemes.

The schemes were issued by National Westminster Bank in conjunction with Hambros Bank and BZW, the securities arm of Barclays Bank.

The High Court agreed with the banks last month that their loan-back BES schemes were eligible for tax relief. BES schemes give tax relief to investors at their highest marginal rate if they hold their investment for five years.

In his March Budget Mr Norman Lamont, who was then chancellor, abolished loan-back BES schemes, which allowed investors to withdraw after six months instead of five years.

He ruled that shares in BES companies had to be issued by the midnight before the Budget if loans were to be made against them.

The banks had allotted

shares but had not listed the shareholdings in the companies' register of members by the Budget deadline.

In May the Inland Revenue decided the shares had not been "issued" and would not be eligible for tax relief.

But the High Court ruled that the word "issue" had no fixed meaning and that there was no reason to think that the availability of BES tax relief was dependent on the actual registration of shareholdings.

The Inland Revenue said yesterday that it opposed the judgment because it blurred "the distinction between the issue and allotment of shares, and this could impinge on other areas of tax legislation".

It said it felt it had no choice but to appeal.

Mr Dominic Collier of BZW said: "Our position has been vindicated in the High Court and we will fight the appeal with the utmost vigour to protect the interests of investors."

Early new-car registrations jump 11.6%

By Kevin Done, Motor Industry Correspondent

REGISTRATIONS of new cars in the first 10 days of August jumped by 11.6 per cent to 249,153 from 223,283 in the same period last year.

The beginning of August is the busiest period of the year for the retail motor industry and a key test of the state of new-car demand.

The Society of Motor Manufacturers and Traders said yesterday that forecasts for a year-on-year increase in sales for

the whole of August to "at least 400,000" from 374,000 were "realistic".

Vauxhall, the second-placed carmaker in the UK market, said that it expected an 11 per cent increase in total August sales to 415,000. Ford, the market leader, was less optimistic and forecast sales of between 400,000 and 405,000.

The 11.6 per cent rise in the first 10 days "clearly indicates that market recovery is continuing", said Mr Geoffrey Pelling, SMMT deputy chief executive.

New-car sales have been higher year-on-year in 13 of the past 16 months, and registrations in the first seven months of the year rose by 9.1 per cent to 874,411.

The UK is virtually the only car market in western Europe where sales are growing, albeit from a very depressed level.

Sales in the first 10 days of August were well below the record level of 307,327 achieved in the same period in 1989, which showed "how severely UK sales have suffered since then", said Mr Pelling.

"It would be dangerous to assume that car manufacturers in the UK will remain impervious to the effects of the Continental recession," he added.

Vauxhall announced last week that it would have to continue short-time working at both its Luton and Ellesmere Port assembly plants during August.

During the first 10 days of August, which account for about 60 per cent of the sales for the full month, the biggest gains were achieved by Renault and Citroën, the

French carmakers, and by Vauxhall.

Renault and Citroën increased their sales volumes by more than a third, while Vauxhall increased its sales by 19 per cent to capture 16.3 per cent of the market, compared with 15.7 per cent a year ago.

Ford suffered a further erosion of its market share which fell to 21.3 per cent from 22.7 per cent a year ago as strong sales of its Mondeo were offset by falling demand for its Escort and Fiesta ranges.

Rover plans big expansion in engine-making

By Kevin Done

ROVER, the UK carmaker, is planning an ambitious expansion of its engine programme during the mid-1990s including the production of a new top-of-the-range V6 engine.

The new engines, which will also feature the introduction of a 1.6 litre version of its successful 1.1 litre and 1.4 litre K-Series engines, will allow Rover to reduce significantly

its dependence on Honda, the Japanese carmaker.

Rover is developing the V6 engine from its present K-Series family of power units and is expected to launch the new engine in its 800 series executive car range in 1995.

It would replace the present 2.7 litre V6 Honda engine, which the Japanese carmaker now makes only for Rover, and would represent a considerable cost-saving for Rover, a subsid-

ary of British Aerospace.

The K-Series engine, launched in 1989, is now made in four-cylinder 1.1 litre and 1.4 litre versions to power the Rover Metro and some versions of the Rover 200/400 series cars, while the UK carmaker also buys a more powerful 1.6 litre engine from Honda for the Rover 200/400.

The new 1.6 litre engine for the K-Series will be introduced next year in the Rover 200 to replace the Honda power unit produced at the Japanese carmaker's plant in Swindon.

Rover's engine production is based at its Longbridge, Birmingham plant.

At present Rover buys all of its 2.0 litre and 2.3 litre engines for the Rover 600 from Honda.

The Japanese carmaker holds a 20 per cent equity stake in Rover vehicle operations, and the Rover 200/400, 600 and

800 series are based on Honda technology.

Rover has entered discussions with Kia Motors, the South Korean carmaker, which is interested in producing a version of the V6 engine in Korea to power an executive car it is developing for launch in the second half of the 1990s.

Kia is discussing the engine project with other carmakers in Japan and in Europe.

Astra Training row

LABOUR yesterday claimed that the government secretly promised £4.8m to prevent the troubled Astra Training Services company collapsing before the last general election.

Kevin Brown writes. Astra's 35 training centres are in the hands of the receivers. The company, formerly the Skills Training Agency, was privatised three years ago.

Mr Frank Dobson, shadow employment secretary, released leaked government briefing papers which he

claimed proved that the Employment Department agreed to underwrite "unforeseen additional costs" incurred by Astra after privatisation.

"They show that Michael Howard [then employment secretary] secretly bailed out the company just before the general election," he said.

The department said parliament had been told that £4.82m was made available for Astra after privatisation, although only £1.3m had been handed over.

Insurance companies under fire as losses subside

Richard Lapper reports that a sharp turnaround in profits has led to criticisms of premium hikes

BRITAIN's big insurance companies came under fire this week - not for losing money as they have done during the past three years but for making profits at the expense of their customers.

Three of the top five general insurance companies - General Accident, Commercial Union and Royal Insurance - reported healthy profits for the first six months of this year.

The other two - Guardian Royal Exchange and Sun Alliance - will follow suit during the next few weeks.

The profits represent a turnaround for insurers that were hit by a combination of storm damage, subsidence, recession-related arson, theft and domestic losses between 1990 and 1992.

The slump in the housing market produced a deluge of claims on domestic mortgage indemnity (DMI) policies. These insure building societies and mortgage lenders against losses on the sale of repossessed properties.

The losses, unprecedented for most companies, prompted far-reaching rationalisation and thousands of job losses.

Premiums have also been increased sharply. Royal Insurance, for example, increased its average motor rates by 21.3 per cent in 1991, by 22.1 per cent in 1992 and by 17.7 per cent this year. Royal's household policy owners faced average increases of more than 30 per cent over the past 2½ years.

More controversially, insurers have begun to change the way they price insurance, charging higher premiums for worse risks. Some owners of houses built on clay soils, which are prone to subsidence damage, have faced rises of more than 100 per cent. Drivers of fast or fashionable cars, regarded as targets for theft, have also paid higher premiums.

Critics suggest that it is the sheer scale of these increases which allowed the companies to return to profit. Ms Jean Eaglesham, head of money pol-

icy at the Consumers' Association, said consumers were "footing the bill" for the companies' mistakes in the 1990s.

"Rather than looking at product design or reviewing errors of corporate judgment in the past, everything is loaded on to policyholders," said Ms Eaglesham.

She said errors had included the purchase of estate agencies and expansion into the domestic mortgage indemnity market at a time when underwriters assumed house prices could not fall.

The criticisms find an echo within the insurance industry.

Mr Mark Wood, managing director of Safeguard, one of the country's largest chains of independent insurance brokers, said: "Past losses are a result of past pricing errors. There appears to be a complacent belief in some insurance companies that their product is completely price elastic."

He added: "Many of the big companies are returning to profit not by increasing efficiency and productivity growth but simply by increasing their prices."

Mr Wood suggested that turbulence in pricing could be increasing inefficiency. He said frequent price rises

were leading more people to shop around, with the result that the industry was offering many price quotes that were not accepted.

"Churning" is leading to falls in productivity. It is a self-inflicted problem," said Mr Wood, who estimates that the industry may be offering quotes on four times as many policies as it sells each year.

The industry fiercely rejects such arguments.

Mr Roy Elms, underwriting director of Royal Insurance, said: "In the context of the UK market to suggest you can claw back DMI losses by increasing rates on other lines is absurd. The market just will not allow it."

Insurers also argue that UK consumers have historically enjoyed a good deal from their insurers, with cover generally wider than that available in most European countries.

Many European home insurance policies do not cover against the risks of flood

or subsidence, for example. Insurers accept that they must avoid sharp rises in prices in the future.

Mr Elms, who took over responsibility for Royal's underwriting in 1991, said: "One of the mistakes insurers made in the past is that they did not put prices up when there were clear indications that they should. The sensible thing to do is adjust prices little and often."

Insurers also argue that they have introduced much greater efficiency into their operations, pointing to falls in their expenses ratios, the industry yardstick which measures efficiency by comparing costs to premium income.

Critics suggest that the reforms have been very limited in character and that relatively few companies have seriously tried to reorganise business processes. "They are nibbling around at the edges," said Mr Wood.

HENDERSON UNIT TRUST MANAGEMENT LIMITED
(Member of IMRO and Lantini)

Announced with effect from 13th August 1993, HENDERSON TR WORLDWIDE SPECIAL SITUATIONS TRUST has been merged following an approved Scheme of Amalgamation into HENDERSON INTERNATIONAL TRUST.

Holders of Henderson TR Worldwide Special Situations Trust income units will receive 0.223541 income units in Henderson International Trust for every income unit held.

Holders of Henderson TR Worldwide Special Situations Trust accumulation units will receive 0.224055 income units in Henderson International Trust for every accumulation unit held.

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Oil industry workers seek to use consumer power in their fight against derecognition

Unions launch Shell boycott

By Robert Taylor,
Labour Correspondent

CONSUMERS will be urged next week to boycott Shell petrol stations at the beginning of a campaign by oil industry workers against alleged union-busting.

Oil industry unions have been heavily influenced by organised labour in the US and plan to use alternative tactics to the more traditional strikes, overtime bans and working to rule.

The campaign will be launched on Wednesday to mobilise public sympathy against the oil companies, which the unions accuse of colluding to derecognise trade unionism.

The initial focus will be Shell UK, which recently decided to withdraw, from September 3, union recognition from 360 process and craft workers at its Shell Haven refinery in Essex.

Off-duty oil workers and others are to leaflet Shell petrol stations urging customers to boycott the company's products. Leaflets have already been distributed at Shell filling stations in Essex around the company's Haven refinery.

"Unions will never abandon their traditional use of the strike weapon as a last resort but we believe alternative forms of action exist that we can use to achieve our aims," said Mr Fred Higgs, TGVU general union national officer.



TGVU members leaflet customers at a Shell station in Essex, near the company's Haven refinery

During the past two years there has been widespread union derecognition by other oil companies - most notably BP, Esso and Mobil.

The five main unions in the industry - the TGVU, AEEU engineering and electrical

union, MSF white-collar union, GMB general union and Ucatr construction union - believe there is a concerted attack.

"We are drawing the line at Shell," said Mr Higgs. "We have been forced to act."

Mr Higgs believes the new

tactics could also be used by unions outside the oil industry as an alternative to strikes.

The unions argue that the issue in the oil industry is about human rights, not just an industrial grievance. "There is no other country in western Europe like Britain where employers can derecognise a trade union with impunity," said Mr Higgs.

"If we allow this strategy by the oil companies to succeed it will be the beginning of the end for employee influence, decent wages and decent working conditions in the industry."

The TGVU is staging a conference on the issue on Wednesday. It will be attended by representatives from Liberty, the civil rights organisation, and the Brussels-based International Confederation of Chemical and Energy Workers.

The unions have lobbied parliament, petitioned the European assembly in Strasbourg, and secured 150 MPs' signatures to an early-day motion in the Commons condemning the derecognition tactics of the oil companies.

Trade union organisations around the world have written to Shell to complain.

Shell UK yesterday denied collusion with other oil companies in derecognising unions. "We make our decisions in the light of our own business circumstances," it said. It refused to comment on the planned boycott.

Ex-Sogat chief Dean is awarded a peerage

By Kevin Brown,
Political Correspondent

THE GOVERNMENT yesterday announced the creation of eight "working" peers to strengthen the three main parties in the House of Lords.

The most prominent are Ms Brenda Dean, who was the first woman to lead a big trade union, and Sir Christopher Tugendhat, chairman of Abbey National and a former European commissioner.

Working peers are created by the Queen on the recommendation of party leaders, usually during the summer parliamentary recess. They are expected to play a full part in the chamber's main role of reviewing legislation.

The list of four Conservatives, three Labour and one Liberal Democrat is significantly smaller than last year's crop of 21, prompting Labour complaints that its party's numbers are not being fully

replenished. Nine Labour peers have died since last summer including Lord Underhill, a former general secretary of the party.

The latest list is more balanced than last year's, which added 13 Conservative peers compared with six Labour, one Liberal Democrat and one independent.

Mr John Major, the prime minister, has restricted himself to four Conservative nominations, confirming the government's overall satisfaction with the performance of its Lords team.

The four, all experienced politicians, are: Sir Paul Dean, a former deputy speaker of the Commons; Mrs Doreen Miller, chairman of the Conservative party's Greater London organisation; Mr Robert Dixon Smith, a former chairman of the Association of County Councils; and Sir Christopher, a former chairman of the European Commission and also

once a Financial Times leader writer.

Ms Dean, who was successively general secretary of the print union Sogat and deputy leader of its successor, the GPMU print union, is expected to play a prominent part in Labour's smaller Lords team.

She was already being talked of yesterday as a potential member of the front bench, along with Mr Simon Haskel, the second Labour nomination. Mr Haskel, chairman of Perrotts, a Leeds-based packing and textile company, is an adviser on industrial policy who was in the Downing Street policy unit which advised Lord Callaghan when he was prime minister in the 1970s.

The third Labour peer is Ms Joyce Gould, a former director of the party's national organisation. The Liberal Democrat peer will be Mr Anthony Lester, a founder member of the Social Democratic party and a leading constitutional lawyer.

By-election gives Labour control of London borough

By John Authers

LABOUR TOOK control of the west London borough of Hillingdon yesterday after winning a by-election.

The seat gave the party 35 councillors to the Conservatives' 34. No other parties are represented on the council.

Hillingdon was last controlled by Labour in 1978, and had a hung council between 1986 and 1990.

Mr Steve Panayi, the borough's Labour leader, said the result demonstrated that "not only the Liberal Democrats can win by-elections in the south".

He said Labour intended to spend reserves to reinstate a range of social services that were cut by the Conservatives earlier this year.

Hillingdon's shift indicates the growing strength in local government of both Labour and the Liberal Democrats.

These parties have shared control in a number of county councils since the elections in May, despite Labour's opposition to deals with the Liberal Democrats at national level.

In Bedfordshire and Wiltshire, however, Labour shares power with the Conservatives, while in Cheshire and Surrey the Conservatives and Liberal Democrats hold power.

Labour denies that these deals have involved bargaining over policies. Labour said: "The essential point is that Labour must maintain a separate political identity. That's the overriding criterion the national executive committee

has used. Clearly on a day-to-day basis there will inevitably be some co-operation."

Local Labour parties have been asked to explain their power-sharing arrangements to Labour's national executive committee, which has given approval to most of the deals for a year.

Both Labour and the Liberal Democrats are believed to be unhappy with arrangements in Berkshire, where the two exclude the Conservatives by sharing committee chairs.

Other Labour-Liberal Democrat power-sharing arrangements, reported to the Local Government Chronicle, include East Sussex, Essex, Hampshire, Hereford and Worcester, Lincolnshire, and Suffolk.

Printers claim a pay-rise success

By Robert Taylor

THE majority of Britain's print workers have secured union demands of basic pay rises of 3.75 per cent and an extra day's holiday, Mr Tony Dubbins, general secretary of the GPMU printing union, said yesterday.

He said that 85 per cent of his members had won

increases of £6.50 a week through company-level bargaining after the breakdown of the national agreement earlier in the year.

He accused the employers' body, the British Printing Industries Federation, of misleading its affiliated company members over the level of wage deals secured in the

industry. He added that the union was going back to companies that had not reached agreement on its terms to secure higher rises.

Mr Dubbins challenged the federation to make public all pay data from affiliated companies.

"We are willing to make all of our information publicly

available if the federation will do the same," he said.

Mr Andrew Brown, personnel director at the federation, said it would not be revealing its data.

The federation insists that nearly two thirds of the 1,080 member companies that have reported details of their settlements - half of the federation's

members - have made deals at less than the union demand.

Mr Brown pointed out that the federation listed the companies that had settled and the number of workers covered by the deals. This suggests that both sides may be right because they are using different, but complementary, figures.

Industry hones competitive edge

By Emma Tucker,
Economics Staff

THE COMPETITIVENESS of UK industry continued to improve in June, official figures revealed yesterday.

Manufacturing wages and salaries per unit of output were 3 per cent lower in the three months to June than they were in the same period a year ago. This figure compares with a fall of 3.4 per cent in the three months to May.

Manufacturing productivity - output per head - was 1.3 per cent higher in the second quarter compared with the first and 8.2 per cent higher than the same three months a year earlier.

The year-on-year increase in

productivity was the second highest since December 1986. The highest since then was in the three months ending May, when productivity grew by 8.5 per cent.

Output per head in the whole economy was 0.8 per cent higher in the first quarter of this year than in the previous three-month period and 4 per cent higher than in the same quarter a year ago.

The latest figures suggest UK industry is competing effectively internationally. The 3 per cent drop in unit wage costs in the first quarter compares with growth of 9 per cent in Germany, 7 per cent in Japan and minus 1 per cent in the US during the same quarter.

Adjusted jobless figures

THE FIGURES given in yesterday's regional breakdown of unemployment were the non-seasonally adjusted series.

The seasonally adjusted figures for the regions and the UK as a whole are as follows:

- Northern Ireland 14 per cent
- North 12.2 per cent
- West Midlands 11 per cent
- North-west 10.8 per cent
- Yorkshire and Humberside 10.3 per cent
- Wales 10.3 per cent
- South-east 10.2 per cent
- Scotland 9.7 per cent
- South-west 9.5 per cent
- East Midlands 9.5 per cent
- East Anglia 8.4 per cent
- UK 10.4 per cent

NatWest sets out on a mission to explain

NATIONAL WESTMINSTER'S warning to 12,000 customers that it is considering securitising their mortgages is likely to provoke some perplexity. One reason why this funding method has not spread as fast in the UK as in the US has been the difficulty of explaining it to investors, let alone borrowers.

Banks, however, have an increasing incentive to make their intention clear. Mortgage-backed securities have emerged as the single part of their UK loan portfolios which has expanded rapidly this year, so they have come under more pressure to ensure that it does not absorb too much capital.

Lenders securitise their assets in the UK by establishing a company to hold mortgages. The company raises the money to pay the bank by issuing debt securities to investors on which the interest payments are funded by mortgage repayments. The investors take the risk of default on the repayments.

This has two advantages for banks. First, it removes the default risk from balance sheets. Although NatWest will retain control of setting interest rates, it passes on risk. But more importantly, securitisation takes the asset itself off the balance sheet and does not absorb bank capital.

NatWest emphasised yesterday that it did not need to free capital. Banks' ability to expand loans if there were a

John Gapper reports on the bank's move to securitise mortgages

sharp economic recovery, however, ratio of core capital to assets weighted by risk is in several cases below a "well-capitalised bank" in the US definition.

Securitisation of mortgages - or other assets such as the payments due on credit cards which have been securitised in the US - also means banks can work their capital harder. They can raise the return on equity on which investors rate them by swapping interest payments for a capital payment.

Although Barclays Bank has ventured into mortgage securitisation - issuing £175m of mortgage-backed securities in 1989 through a vehicle company called Gracechurch Mortgage Finance - NatWest's move signals renewed interest. Barclays is already working on further mortgage securitisation in the US.

For customers it is a rather more imponderable business. Mr Richard Ferrett, head of asset management at NatWest, yesterday insisted that it would make no difference. The process would be invisible to the borrower.

"We are going to adhere to whatever customer reaction we get and respect their wishes," he said. It seems likely though that opposition will stem from incomprehension rather than an obvious objection to the practice. Yet the process raises a number of questions for borrowers.

One is whether banks' general attitudes to mortgage default will be affected. Investors will be less keen to invest in securities where there appears to be a risk of repayments being interrupted.

Banks cannot allow default among borrowers, and then ensure that interest payments on the securities are maintained by paying them separately. To qualify under regulatory rules to be removed from balance sheets, the risks of securities have to pass from the bank to the investor.

In practice, banks try to ensure a steady flow of interest payments by "self-insuring" the issues. This means packaging enough mortgages together to allow some defaults without affecting the payments. But widespread use of securitisation could gradually change bank attitudes towards default.

A second issue for borrowers is whether banks are likely to tilt borrowing towards types of mortgages that can easily be securitised. This could mean mortgages outside areas with high rates of default, thereby increasing conservatism among mortgage lenders.



Half Year Results 1993

SECOND QUARTER

At constant rates of exchange net profit increased by 8% over the corresponding period last year to £363 million. Profit before tax rose by 7% to £564 million.

At the average exchange rates for each period net profit increased by 21% in sterling, 3% in guilders and 4% in dollars.

HALF YEAR

In difficult economic conditions we have increased both sales and operating profit by 6% at constant rates of exchange. Margin was maintained despite increased marketing activity. The results for the first six months of the year illustrate the resilience of our brands in those markets affected by recession and their role as vehicles for growth elsewhere. The strong performance of our businesses in fast growing economies, in particular South America and South East Asia, is of increasing importance.

RESULTS

	1993	Half Year Un announced	1992	Increase
Turnover	12,690		11,943	6%
Operating profit	1,028		967	6%
Profit before taxation	984		919	7%
Taxation	(312)		(309)	
Minority interests	(31)		(22)	
Net profit	641		588	9%
At constant rates of exchange				
Net profit	679		562	21%
Combined earnings per share	36.38p		30.07p	21%

In Europe, operating profit was marginally lower, but shares in most markets were held or improved. Rapid growth continued in both ice cream and ready-to-drink tea. Sales of personal products and detergents increased, led by a continuing programme of innovation. Profits weakened in specialty chemicals, mainly affecting the results in the Netherlands. In Germany and Italy results advanced; an otherwise good performance in the United Kingdom was affected by competitive pressures in the tea market.

In North America the results were adversely affected by intense competitive activity especially in pasta sauces and fabric detergents. Our ice cream operations, augmented by acquisitions, produced good sales and profits. Personal products and specialty chemicals also made good progress.

In the Rest of the World significant increases in sales and profits were widespread. The rise in operating profit was assisted by acquisitions and the consolidation of companies formerly classified as associates. There were notable improvements in results in Japan, and further advances in Indonesia, India and Argentina.

Interest costs were lower, assisted by more favourable interest rates. Net debt was higher at the end of June as a result of borrowings

to fund acquisitions and the seasonal outflows during the period.

At the average exchange rates for each period net profit increased by 21% in sterling, 2% in guilders and 3% in dollars.

With regard to the outlook for the year, we anticipate little change in present trading conditions, and we expect the overall growth and performance of our business to be maintained during the second half.

CONDENSED BALANCE SHEET

£ millions	End of first half year 1993 (unaudited)	As at 31 December 1992
Fixed assets	7,510	7,354
Stocks	3,533	3,326
Debtors	4,208	3,902
Trade and other creditors	(5,566)	(5,872)
	9,685	8,710
Net debt	1,925	1,225
Provisions for liabilities and charges	2,566	2,428
Minority interests	498	471
Capital and reserves	4,696	4,583
	9,685	8,710

NOTES

Balance Sheet Information

The balance sheet as at 31 December 1992 has been abridged from the full Group accounts, on which the auditors have given an unqualified opinion and which have been delivered to the Registrar of Companies.

Financial Reporting Standard 3 (FRS 3)

With effect from 1 January 1993, Unilever is reporting its results in accordance with the requirements of FRS 3 of the United Kingdom Accounting Standards Board.

In the first half year of 1992 and 1993 there were no major exceptional items which FRS 3 requires to be reported separately.

In the first half year of 1992 subsequently discontinued operations (agribusiness) accounted for £200 million turnover and £7 million operating profit.

In the first half year of 1993 the effect on turnover and operating profit of acquisitions made in the period was £285 million and £31 million respectively. These included the change to subsidiary status of former associated companies in India.

The results for the third quarter and announcement of interim dividends for 1993 will be published on Friday 12 November 1993.

For copies of results statements telephone Freephone 0800 181 891 or write to: Unilever External Affairs Department, P.O. Box 66, Unilever House, London EC4P 4BQ, or P.O. Box 760, 3000 DK Rotterdam.

FINANCIAL TIMES

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Saturday August 14 1993

Provoking the markets

HAVE WORLD stock markets lost touch with economic reality? In the UK this week the FT-SE 100 index broke through the 3,000 barrier just as a whole series of economic statistics and company results cast serious doubt on the strength of the recovery. In continental Europe, equity markets soared despite the continuing contraction in industrial output. Wall Street has looked overvalued for so long that it is hard to remember when, if at all, it was last remotely near to being in touch. At times like this, the apologists tend to argue that the markets are a barometer that reflects expectations about the future, while the cynics claim that the markets are driven by money, not economic fundamentals. The cynics are probably nearer the mark.

There is nothing new, in the UK, about a market that breaks through ceilings when the real economy is looking sickly. Liquidity abounds in recessions and invariably fuels a rise in the markets. That said, other economic forces are at play in the sense that the present surge in European markets has largely been prompted by expectations of falling interest rates. Where the barometer analogy breaks down is in the way that markets themselves influence economic activity. By creating a wealth effect, a rising market affects spending within the economy. The *locus classicus* of the broken barometer theory is Japan, where the whole economy overheated, then crashed, on the back of the stock market bubble of the late 1980s.

Ideological attack

At a time when markets are under ideological attack, notably from politicians in the countries that formed the former hard core of the European exchange rate mechanism, it does no harm to point out that buoyant securities markets have been exceptionally accommodating of late to businessmen and governments alike. In the UK, industrial and commercial companies took advantage of an increasingly giddy market to raise more than £20bn of fresh equity in the first half of 1993, compared with £5.3bn for the whole of 1992. The Bank of England, meantime, has already sold enough gilts to cover nearly 60 per cent of its £50bn borrowing requirement for 1993-94 in the first four and a half months of the financial year.

As for the French government, a soaring equity market is likely to make light work of a heavy privatisation programme. The Italians have been fortunate in being given the benefit of the doubt by international bond investors despite a bloated stock of public sector debt and a poor record on

inflation. Governments generally have seen the risk premium in their IOUs tending to narrow as investors' inflationary expectations have subsided.

The risk in the present high level of share prices is less that equity markets will succumb to an autonomous free fall than that governments will provoke a collapse by confounding market expectations about interest rates. It is not difficult to see how this might come about in Europe, where politicians' understanding of markets is woefully deficient.

Classic case

In the aftermath of the ERM fiasco, for example, the French prime minister, Mr Edouard Balladur, has chosen to ignore the message implicit in the near-collapse of the ERM and is calling for reforms to curb the activities of the speculators. Even if it were possible to reintroduce some workable form of exchange control, which seems unlikely, this would still be a classic case of shutting the stable door after the horse has bolted. For a consequence of the widening of the ERM bands is that the ability of markets to wield discipline over governments has shifted from the currency markets to the securities markets. Since exchange rate relationships are no longer fixed within the ERM, they are invulnerable to attack. But if interest rate policy is inflexible, investors can cause a securities market collapse by bolting for the exit.

In an inflationary environment, such market discipline is exercised through the government bond market, leaving the politicians with an unpalatable choice between cutting expenditure or raising taxes. In a deflationary environment of the kind that prevails in continental Europe, the discipline is felt in equities. A falling stock market causes a negative wealth effect, as savers respond to their loss of capital by spending more cautiously and investing in cash. Companies suffer from a higher cost of capital. This adds to the deflationary pressure within the economy.

By failing to make use of the opportunity to cut interest rates sharply now that the opportunity is available, the ERM members whose economies are shrinking and whose unemployment rates are rising are courting trouble in the equity market. Elsewhere, the risk is more that a favourable downward trend in interest rates has simply come to an end. The message for investors is to watch for nervousness over lack of action on interest rates in Europe and for an active change of policy by the Fed in the US. Equities are in dangerous territory.

For years Germany's Chancellor Helmut Kohl has liked to quote Sir Winston Churchill to describe his vision of a "United States of Europe". In recent months, he has stopped doing so.

"I no longer use that expression," he says, "because too many people misunderstand it. They think we are trying to build a single country like the United States of America."

Now he stresses the need for every member state of the European Community to maintain its own identity under a "common European roof".

The question arises: is he watering down the whole content of European union, or simply changing the terminology? And is he talking about identity alone, or is he beginning to talk about a revival of national interests?

The latest crisis in the exchange rate mechanism of the European Monetary System certainly raised fears in other parts of the EC (notably France) that a unified Germany would put its own interests above its European commitments. And when Mr Kohl declared in a television interview this week that EC economic and monetary union might be delayed "by a year or two", Euro-sceptics across the Community began to chant: "We told you so."

In Germany the response has been one more of sorrow than of anger to the charges. Few have questioned the wisdom or justice of the Bundesbank in maintaining its firm path of slow but steady interest rate reductions - refusing to respond to the massive currency speculation. The man in the street is content that his D-Mark remains strong, even if German exporters are worried at the effects of revaluation on their competitiveness.

"The more or less explicit accusation is that Germany has put its national interest before that of Europe," according to Mr Rainer

When Kohl said that monetary union might be delayed, Euro-sceptics sang: 'We told you so'

Nahrendorf, joint editor of Handelsblatt, the business newspaper. "That is a hard charge for Germans to accept. They have always seen European union as the flip-side of German unification."

In spite of its huge net budget contributions to the EC, Germany has received little back to help it with the costs of unification, he says. On top of that, the Bundesbank paid out billions of D-Marks to support the French franc in the latest currency crisis.

"That is why statements which suggest that Germany sought to destroy the EMS are quite absurd."

Nobody in Germany doubts that Mr Kohl himself remains passionately committed to European integration - to a federal Europe in the decentralised, German sense. A recent poll of top business managers and civil servants agreed that his European ambitions were his highest priority - even above winning the next elections in 1994, or successfully completing the unification of Germany.

It is the presentation therefore, not the substance, which has been adapted to a changing political reality. For Mr Kohl now knows that the events of the past few years, with the end of the cold war, the fall of the Berlin Wall and German

Kohl's commitment to Europe is not in doubt, but fears have arisen that German interests may come first, says Quentin Peel

Perils of being a good guy

unification, and the signing of the Maastricht treaty with its commitment to a single European currency, have raised new doubts about European union.

In Germany, a complex range of issues has coincided to complicate the European equation, and call into question old certainties.

The popular doubts about Maastricht concern, above all, the creation of a single European currency to replace the D-Mark. They also relate to new priorities in the post-cold war world: to the economic challenge of realising German unification without bankrupting western Germany, and the strategic challenge of stabilising the upheaval in eastern Europe.

"The whole debate on Maastricht coincided with the fear that 'they want to take our D-Mark away,'" says Dr Angelika Volle, editor of the foreign affairs magazine Europa Archiv. "The D-Mark was the foremost link of German unity: it was what the east Germans wanted, and what we gave them. The suggestion that now it will be somehow watered down by the Greeks or the Italians is met with a simple: no way."

Immediately afterwards came the conflict within the EC over Yugoslavia: suddenly we discovered that the others thought differently to ourselves.

"For years we believed that what was good for Europe was good for Germany. That is no longer seen as necessarily true."

Hard on the heels of those inner-German doubts came the furious debates in other member states of the EC in France, Denmark and Britain. The "German bogey" became a big issue in the arguments for and against the Maastricht treaty.

At the heart of the Danish doubts over Maastricht was a fear that Denmark might be reduced to the status of "another German land". In France, the anti-Maastricht campaigners feared German domination, and the pro-Maastricht campaigners also used that fear to argue for the treaty to "bind Germany in". Nobody argued that Germany was nice. As for Britain, anti-German xenophobia was obvious in the highest levels of the Thatcher government (spelled out in public by the late Lord Ridley, although it cost him his job), and fuelled the whole anti-Maastricht debate.

"It all came together with Germany having its own identity crisis," says Ms Volle. "It is no longer just western Europe that is our fate, but eastern Europe too. We do know more about what is going on there, and we are more concerned than our west European partners."

Again and again, Germany urged its partners to get more involved in the east, with aid and trade and technical assistance. "They simply cannot see the dangers as dramatically as we do," according to a senior



German diplomat. "They are not sitting on top of the cooker."

German officials maintain that it is not they who are putting national interests first. It is their partners, like Britain and France. They see a revival of old balance-of-power calculations in the machinations of London and Paris in the Balkans, where they are both tempted to back Serbia, to counteract Bonn's sympathy for Croatia.

The economic recession does not help. "At the moment it is the time of national interests, because it is a time of recession," says Ms Volle. "The Germans are behaving a bit like Mrs Thatcher with her handbag. We say we have got a very good record on Europe. Now we

really have a German interest: to try and weld the two Germanys together. That is our top priority."

The process of defining Germany's national interests is clearly beginning. Professor Karl-Helmuth Hornhues, deputy leader of the Christian Democratic Union in the Bundestag, announced last weekend a meeting of the parliamentary leadership, scheduled for the near future in Berlin, to redefine the party's foreign policy.

"National interests must be more clearly articulated in government policy," he said. "We must state more clearly what we aim at. Up to now, Germany has always formulated its interests vaguely and cautiously. Now it is time to speak

frankly about our foreign policy aims."

It is not necessarily an easy process. At a recent meeting in the chancellor's office, some of Germany's top foreign policy analysts were asked to define what they understood by "national interests". One confessed: "We have never asked ourselves that question before."

Mr Klaus Kinkel, the foreign minister, has launched his own exercise to sharpen the focus of foreign policy. The foreign policy institute have been invited to a meeting in Bonn in September, to be followed by a top-level forum of his own Free Democrats. Mr Douglas Hurd, the British Foreign Secretary, and Mr Alain Juppé, the French foreign minister, have agreed to attend.

Although the exercise is under way to define national interests, no one seriously doubts that a commitment to closer European integration, based on the European Community, will remain at their heart.

Europe will be a central element in the chancellor's election campaign next year, according to one of his advisers. "The theme has to be: Look what the EC has brought us. Peace and stability. Now we have to move on from here, and monetary union is an essential part of it."

"It is imperative for the chancellor that the process does not lose impetus. An outbreak of triumphalism by the anti-Maastricht faction would severely damage his credibility."

Some observers believe Mr Kohl must be leaving himself open to an overtly nationalist campaign by the opposition Social Democrats - at least on economic policy. Yet, so far, there is no sign of it. Mr Rudolf Scharping, the new SPD leader, is a supporter of the Maastricht treaty.

I am very much in favour of the Maastricht treaty being carried out," he says. But he does openly question the timetable. "No one in Europe should be the slave of a fixed timetable," he says.

Mr Edmund Stoiber, the new prime minister of Bavaria, a leading member of the Christian Social Union in the ruling coalition, and one of the most articulate conservative politicians in Germany, is also a clear supporter of the direction of European integration.

"We no longer want Germany to be the odd one out in Europe," he says. "I do not want nationalism to raise its head again. If I ask my daughter: 'Could we have a war with England?', they laugh, and say: 'Don't be silly, daddy. Seventy years ago it looked quite different. That is a fantastic achievement.'"

Yet Mr Stoiber doubts the Maastricht timetable, too. "We have a huge road to travel to reach monetary union. We have much more to do than the creators of Maastricht believe... I do not believe that monetary union will happen this century."

When Mr Kohl questioned the Maastricht timetable this week, he was saying his officials - only doubtless that a single currency would, by 1997, be still maintain it will come about by 1999. "Nobody will shed any tears if it does not happen in '97," an official admitted.

So Mr Kohl stands firm on his course. Yet some foreign observers are worried. "My greatest concern is if Britain and France continue to doubt the hand of European friendship which the chancellor is offering," says one senior diplomat in Bonn. "Eventually the Germans will get fed up trying to be the good guys."

MEN IN THE NEWS: Ian Plenderleith and John Townend

'Brat pack' at the Bank

God and Demi-God is how one mischievous City economist refers to Ian Plenderleith and his sidekick, John Townend, the men in charge of the Bank of England's gilt-edged operations and the most powerful figures in the UK government bond market.

Both have good reason to feel pleased. The Bank is well ahead of schedule in issuing gilts to finance the government's hefty borrowing requirement programme for this financial year, confounding those sceptics who thought the task almost impossible because of the huge amount of stock the market would have to digest.

But, in the words of one City analyst, gilts have been "selling like hot cakes" - just four and a half months into the financial year the Bank has covered nearly 60 per cent of this year's likely £50bn gap between government spending and revenues. The Bank has sold more than £1.5bn of government bonds to investors such as UK pension funds this week alone.

While falling European interest rates and the lowest retail-price inflation in the UK for nearly 30 years have helped boost demand for gilts, Plenderleith and Townend have won plaudits from some in the City for their management of the record volume of gilt issues - though a few economists contend they have been selling the stock too cheaply.

They have particularly close contacts with the 19 City groups which are registered gilt marketmakers acting as intermediaries between the Bank and investors. One broker says of the duo: "They are very thorough, they cover all angles in incredible detail." Another says they are "good listeners".

Plenderleith and Townend work a few feet from each other in cramped adjoining offices filled with computer screens overlooking the Bank's inner courtyard.

Plenderleith is the Bank's associate director in charge of markets, and Townend is head of its gilt-edged and money-market divisions. Aged 49 and 45, they joined the Bank within three years of each other in the 1960s and have worked together in markets jobs since 1985. Brought up in Birmingham and Liverpool, respectively, they were both educated at grammar schools. A significant element behind the rise of the duo has been the plain-speaking Eddie George, promoted to Bank governor on July 1 from deputy governor. George, the son of a postman in south London, has been at the Bank for 31 years and has retained a close influence over both Plenderleith and Townend. Both are members of the so-called "Eddie brat pack", the youngish, down-to-earth Bank employees whom George supervised during his time in the Bank's market divisions in the 1980s. The governor is thought likely to promote Plenderleith to one of the four executive-director posts at the Bank when the position becomes vacant next February.

Like George, both Plenderleith and Townend were born under the star sign of Virgo and exhibit the common characteristics of lack of garrulousness and addiction to hard work. According to US astrologer Linda Goodman, Virgos have perfectionist, "tick-tock" minds and worry a lot. The description applies equally to both Plenderleith and Townend, whose jobs involve long periods of monitoring computer screens so they can pick the best market conditions to issue new



types of government stock.

Their working day starts with a meeting to assess market conditions at 8.30am in Plenderleith's room, which has old banknotes and bond issues framed on its wall. Plenderleith often discusses trading conditions via a special hot line to the Treasury, with which the Bank collaborates over gilt issues. "He's an utter professional and has a poker player's fascination with trying to spot market trends before they become apparent to others," says one former senior Bank employee. One broker says of Plenderleith: "He regards the gilt market as his baby - he wants it to be the best."

Plenderleith - like George, a heavy smoker - rebuts suggestions that other European government bond markets could offer any significant lessons to the Bank. The senior of the two Bank men gives the impression of deliberating before answering questions from outsiders.

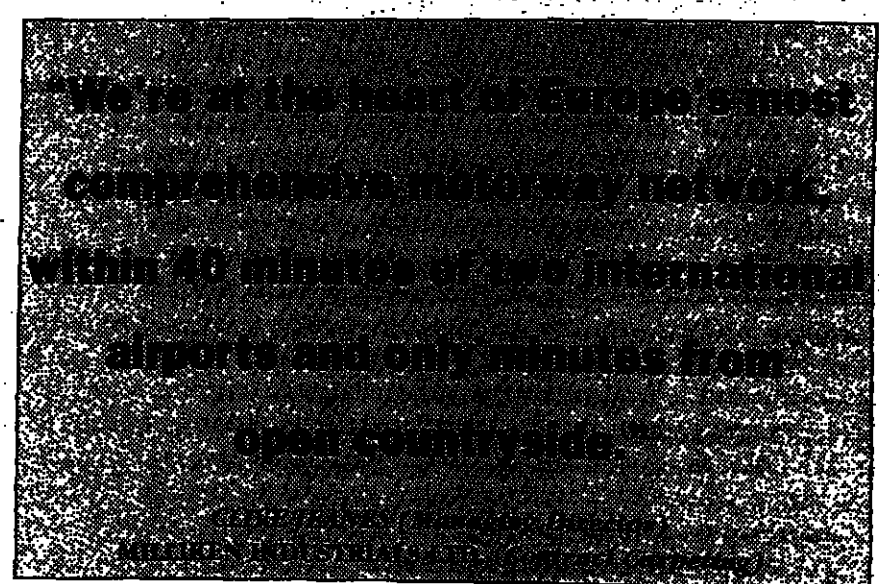
The less cerebral Townend, a marathon runner, is more likely to give a spontaneous reply in conversation. Someone who has known them both for more than 20 years says: "Ian speaks in paragraphs and gives it you straight. John talks in sentences and makes things more exciting."

Plenderleith is credited with making serious attempts to make gilts more attractive by, for instance, issuing longer-dated stock to meet the needs of pensions funds and insurance companies. But some critics believe the Bank has taken too long to adapt settlement procedures making it more convenient for international investors to trade gilts. Another suggestion is that the Bank should issue more low-yielding, shorter-dated stock rather than higher-yielding, longer-dated gilts, to reduce the size of the debt burden for future generations.

"It's a minor financial scandal that the Bank is issuing stock that will require very high interest payments in the future when inflation is expected to stay low," says Roger Bootle, chief economist at Midland Bank.

Plenderleith and Townend like to give the impression of viewing suggested improvements to the market seriously. But the Bank's cautious and unassuming deities both clearly feel that evolution should proceed at a relatively stately pace, whereas others feel the tempo could be quicker.

Peter Marsh and Sara Webb



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WHERE BIG BUSINESS IS MOVING



Nato is beating its chest. For the first time in the alliance's 44-year history it may be about to fire a shot in anger. Or again, it may not.

In the cold war it did not have to shoot. The combined military strength of its members, pledged to treat an attack on any one of them as an attack on all, was sufficient to ensure that no such attack took place. But the fear of one was enough to justify the alliance in the eyes of its members.

With the end of the cold war and the dissolution of the Soviet Union, that is no longer the case. Nato members do not feel any immediate danger of a direct attack on their territory. But many do fear that their security will be jeopardised indirectly, by conflicts in eastern Europe.

Perhaps paradoxically, this feeling is strong in the country furthest away from eastern Europe, namely the US. Americans, after all, never relied on Nato to fend off a direct attack on their own territory. The purpose of Nato was to ensure the security of western Europe. That being apparently achieved, at least in the short term, many Americans now feel that Nato must play a role in ensuring stability in eastern Europe if it is to justify its continued existence.

That view is summed up in a currently fashionable slogan: "out of area or out of business". "Out of area" is Nato jargon for anywhere outside

Nato's credibility is at stake in Sarajevo, but internal uncertainty remains, says Edward Mortimer

Still divided over calling the shots

the territory to which the mutual defence pact applies: that of its member states in Europe and North America. In the past some members, notably France, took the view that Nato should not do anything outside this area. Now, however, all recognise that Nato has a broader role to play, especially in eastern Europe, although as yet few existing members are willing to enlarge

Nato as an institution has drawn a line in the sand on this, says a senior official

the alliance itself. Many central or east European states, headed by the Czech Republic, Hungary and Poland, would like to join, but have been politely told the time is not ripe. A sort of waiting room or annex was set up at the beginning of last year: the North Atlantic Co-operation Council (NAC-C), in which Nato members sit together with their former Warsaw Pact adversaries, including all the successor states of the Soviet Union. But membership of NAC-C

does not in itself prevent conflict - as events in Transcaucasia and other parts of the former Soviet Union amply demonstrate - and anyway NAC-C does not include the successor states of the situation in the former Yugoslavia, where conflict is raging close to Nato territory. Nato's inability to bring peace to Bosnia, or to defend the Bosnians against "ethnic cleansing" and other atrocities, has tarnished its image in many member states, and notably in the US.

That is why last Monday's decision to threaten the Bosnian Serbs with air strikes unless they "lift without delay the siege of Sarajevo" is seen both in Washington and at Nato HQ in Brussels, as a crucial test of Nato's credibility.

"Nato as an institution has drawn a line in the sand on this," says a senior Nato official. "It has its credibility on the line." "Among many in this town," says Morton Abramowitz, head of Washington's Carnegie Endowment for International Peace and former US ambassador to Turkey, "the belief has grown up that this is a genuine crisis that can affect the vitality of Nato. If Nato fails to act in a serious way in the next few weeks, at a minimum by ending the siege and stopping the shelling of Sarajevo, its



Nato will keep a close eye on the withdrawal of Serb soldiers from the mountains around Sarajevo

future will be in serious doubt."

Mr Abramowitz says there is growing frustration in Washington at the obstructive attitude of some of the US's European allies, and that unnamed but influential members of Congress have told him they will block appropriations of funds for US forces in Europe

if it continues. "The British role has been the worst," he adds.

In London, officials readily concede that there have been sharp differences of view, notably on "the utility of the use of force, especially in Europe in the post-cold war environment". In terms not heard in Whitehall for some years, they

seek to present Britain's position as a mainstream European one, while emphasising differences of perspective between Europe and the US. They claim, for instance, that Americans think the formula that worked in Desert Storm, Panama and Grenada should be applicable in Europe, whereas "most of us here don't

see that approach as very helpful, and even less so when it comes from people who are not themselves prepared to put forces on the ground".

"Leaving aside the Germans, who are pretty well out of this now," says one British policy-maker, "the Europeans have attached a high priority to the humanitarian operation [in Bosnia] and to a negotiated settlement. The Americans, who are not very directly involved, feel this is being used as an excuse for inaction, that UN troops are almost hostages and that, but for our constant hand-wringing, an application of force from the UN would somehow sort things out."

It is clear that Britain only accepted the decision on air strikes because it feared the effect on Nato of snubbing the US for a second time, after the humiliating rejection of an American proposal to lift the arms embargo on Bosnia earlier in the year.

The French position is somewhere in between. In early June, at a meeting of the North Atlantic Council in Athens, France was pressing for air strikes to help secure the "safe havens" in Bosnia proclaimed by the UN Security Council, while the US insisted on a restrictive interpretation, allowing only for retaliation if UN troops were themselves

attacked. By late July, however, the US wanted to use air strikes to break the Serb stranglehold on Sarajevo. It was France that insisted air strikes could only be initiated with UN authorisation, and must be co-ordinated with the UN force on the ground, whose commander is a Frenchman, General Jean Cot.

One interesting feature of the affair is that earlier French reservations about Nato's "out of area" role have vanished completely. "Out of area or out of business is out of date," says one senior Nato official with evident satisfaction. "We're already out of area."

This official brushed aside fears that the UN secretary-general, Mr Boutros Boutros Ghali, might refuse to authorise air strikes, or that the Serbs would succeed in dividing the allies on whether they had complied with the ultimatum or not. "The only source of judgment now is the US," he declared. "If the US comes to a decision, with a credible case, I'm confident we will prevail both in the [North Atlantic] Council and in New York." As for the Serbs, "I suspect if they think they can divide the United States on this one they're in for a shock. No one in Washington is in any mood to be divided."

Mr Abramowitz and other Washington hawks remain sceptical, however, fearing that the Europeans will exploit the complex chain of command, intriguing with the UN and even with doubters in the US military to delay or avoid taking action.

A modern loom powered by a weaver pedalling like a cyclist is arguably the most encouraging thing the Harris Tweed industry has seen for decades. The loom, one of the first of many that will be installed on the Western Isles off the coast of Scotland next year, should help revive an industry that has been in steep decline.

"The new loom is far less effort to work than the old one, yet it is producing twice as much cloth for that effort. And it makes much less racket," says Mr Callum Maclean, a weaver at Point of Ness on the island of Lewis.

The new loom should also help improve the economy of the Western Isles, where the population is falling and which two years ago faced criticism when its council lost £23m in the collapse of the Bank for Credit and Commerce International.

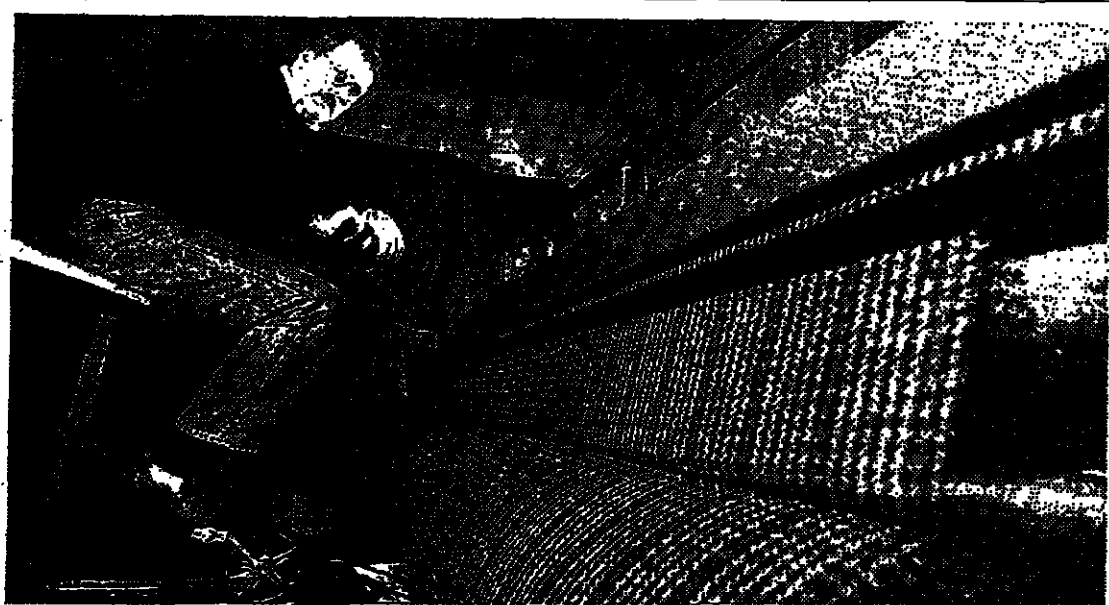
At the heart of the weavers' woes has been their much-loved and now out-dated treadle-driven Hattersley looms, which produce cloth with a width of 75cm. Most clothing manufacturers worldwide demand fabric with a width of 150cm, the industry standard. The island weavers were increasingly out of step with the garment industry, and the big manufacturers' refusal to adjust their machine settings for Harris Tweed threatened the existence of a craft dating back to the mid-19th century. But now there is hope: the new lightweight loom, which produces Harris Tweed with a width of 150cm, could transform the industry. Mr Anas Maclean, a weaver from the village of Gairnzie in the Western Isles, calls the loom "a lifeline for the industry".

The mills and weavers are embarking on a five-year £9.5m programme to re-equip themselves. About 45 per cent of the funding will come from the industry itself, including the weavers, and the rest from Western Isles Enterprise (the local offshoot of Highlands and Islands Enterprise) and from the European Community.

Some £5m will be spent on buying the new looms, £2m on adapting the mills to the new width and £2m on marketing; £500,000 will be spent on training the weavers.

"It has taken a crisis to bring the industry together and listen to what we've been telling it," says the Highlands and Islands Enterprise.

Each new loom will cost about £13,000. The weaver is expected to contribute £4,000 with the rest coming from grants. The first 100 looms, arriving on Lewis at a rate of two a week, should be in operation by the end of next year, and the first 150cm Harris Tweed could be pro-



Callum Maclean, a weaver on the island of Lewis: "The new loom is far less effort to work than the old one"

The weaver's tale

James Buxton on a boost for the makers of Harris Tweed

duced for the 1994-95 selling season. Harris Tweed is one of Scotland's most famous home-grown products. Often thick, always hard-wearing and usually woven in sober browns and greens, reflecting the bleak Hebridean landscape, it has been popular for generations with the British gentry and rich Americans. What makes the tweed unique is that it is produced from pure wool in the Western Isles and woven in the homes of the weavers. Only if these conditions are met does it receive the stamp of authenticity from the Harris Tweed Authority, the industry regulator, and command a premium price.

All the other processes in weaving the tweed, from spinning and dyeing the wool to finishing the cloth, take place in four textile mills on Lewis. Having spun the yarn, the mills pass it on to self-employed weavers who make it into tweed on their Hattersley machines in sheds adjoining their houses.

Using outworkers gives Harris Tweed its unique quality: each tweed receives the personal attention of a weaver and helps sustain a cottage industry. Weavers' jobs have been one of the main casualties of the crisis in the industry since 1987 when fashion in men's clothing moved from woven jackets to knitted pullovers. Harris Tweed's sales in its biggest market - men's

sports jackets in the US - fell sharply. Output dropped from 5m metres of tweed in 1985 to about 1m metres last year (worth only £5.5m). The number of weavers has fallen to 400, from about 2,000 in the 1980s.

The crisis forced the industry to examine itself. A working party formed by the mills and weavers found that potential consumers were put off by the cloth's rough texture and heaviness. Jackets of 12-ounce tweed last for decades but, as Mr Harris Mackenzie, managing director of Kenneth Mackenzie, the most modern of the mills, says: "People no longer want to keep their clothes that long."

The demand for lighter and softer tweed is now being met: design changes have produced tweeds weighing only 6 ounces a yard, and newer tweeds are softer.

But problems associated with the fabric piled besides the impediments associated with the weavers' anachronistic looms. A solution did not emerge until 1990 when Mr John Griffith, a loom maker from England, produced a prototype, foot-driven 150cm loom. The first of his machines, made by Bonas Griffith, his textile machinery company, arrived on Lewis last year. The new loom permits much finer patterns such as subtle checks. It

also produces softer cloth of higher quality, which should appeal to the women's market.

Mr Ian Mackenzie, secretary of the islands' weavers association, says the loom "gives us a lot of the advantages of a power loom without losing the magic of the Hebrides". A group of weavers is being trained to use the looms. While they are enthusiastic about the new product, the weavers are worried about repaying the £4,000 which they will have to borrow as their contribution towards the cost of the looms. Most of the weavers have been on "less than part time work" in recent years.

Mr Ian Mackenzie of the islands' weavers association, while sympathising with their anxieties, is confident about the future. He says that the tweed market has turned up this year - output is expected to reach 2m metres, nearly twice last year's figure.

But there is a lingering uncertainty. Could Harris Tweed now lose its strong identity as the weavers use looms that can produce a wide range of cloth? Many in the industry believe cloth weighing less than about 6 ounces should not be classified as Harris Tweed. There may be a further danger: as weavers find it easier to make Harris Tweed and increase output, so the fabric may lose its exclusivity.

Michael Smith on the quickening pace of pit closures

Light goes out in the tunnel of hope

Less than five months have passed since the UK government completed its coal review and raised the industry's hopes with promises to save a dozen pits from closure. But now British Coal is on the point of shutting down a number of the 12 pits, and others will go soon afterwards. More damaging still for the government, a further seven or so of what were previously regarded as 19 core pits also seem doomed. That will leave a rump of barely a dozen pits with a long-term future out of the 50 that British Coal had in operation this time last year.

This decline in the industry's fortunes will shock and confuse backbench MPs and the general public, whose outrage at the original closure plans forced the government to undertake its review last year, and who believed that many pits had been saved as a result.

Were they deceived by ministers? Or has further bad news hit the coal industry since March? Is this evidence that the government has broken its promises to give coal a better chance to compete with other forms of energy such as gas and nuclear power?

The reality is that the white paper made few promises. In spite of ministers' efforts to present themselves as the saviours of some pits, the white paper never offered more than a breathing space for the industry to rationalise gradually.

The six-month review rejected one by one the radical measures put forward by pressure groups to make room in the market for the fuel: for example, cutting back the state-owned nuclear industry's electricity output or slowing down the so-called "dash for gas".

The government was thus left with measures which could only affect the margins of the electricity market where most coal goes. Some of the white paper's provisions and calculations proved to have less substance than the government suggested. A prediction by Mr Michael Heseltine, trade secretary, that production of armaments, that bitumen-based substance, would fall by 500,000 tonnes a year, perplexed the fuel's importers. They believe sales will remain steady.

Mr Heseltine appeared to offer firmer support with his promise of up to £500m in subsidies to British Coal if it could agree sales to the electricity generators over and above contracts already confirmed. Five months later, not a penny has been claimed, either by British Coal or the private operators which are also entitled to subsidies.

The money is still on offer. But National Power and PowerGen, the generators, with 34m tonnes of coal stocks, more than three times their needs, have shown scant interest in buying more. They have little incentive.

First, both companies have faced a stronger than expected challenge to their market shares from nuclear power and from the gas-fired stations of rival competitors.

The higher the coal stocks on the ground, the less the incentive for private sector operators to mine coal

Second, the government has made little progress in its talks with the generators on the amount of coal stocks they are required to hold by law, even though the white paper described the consultations as "a matter of urgency".

Against this background, British Coal has almost finished a "market-testing" exercise - government jargon for studying whether the market can sustain the 12 reprieved pits. Although the exercise will end only when the generators decide on additional purchases, probably in the autumn, there is little reason for optimism about securing extra sales.

Mr Neil Clarke, British Coal chairman, expects the generators to buy fewer than 8m tonnes of additional coal this financial year and next, with most of it being bought after next March. Additional sales to industrial and household markets are likely to be limited.

This leaves British Coal with some simple calculations on which to base the pit closures programme which it has yet to finalise. In the

year from next March the likely market for sales of British Coal's deep-mines will amount to about 33m tonnes at most, assuming the more profitable open-past operations contribute about 12m.

However, current annual production of the corporation's 30 remaining deep mines is at least 44m tonnes. That leaves an imbalance between output and sales next year of at least 11m tonnes.

The problems do not end there. Annual productivity improvements of about 30 per cent mean that next year's sales will be more than met by the 19 core pits. Meanwhile, over-production could increase British Coal's stockpiles to about 20m tonnes. That represents more than four times what British Coal wants. But it also represents a threat to the government's privatisation plans. The higher the coal stocks, the less the incentive for private sector operators to mine coal in the future.

Although last winter's pit closures forced delayed privatisation, it actually fortified the government's resolve to sell off the corporation. Ministers want to get rid of a direct connection with an industry which often presents them with awkward political problems. They also believe the private sector offers the industry the best chance of becoming competitive.

However, the private sector is unlikely to be keen to invest in a producer which is too large for the market. It is also uncertain which purchaser will want to take on such a politically charged and problematic industry. Hanson and RTZ are the UK companies with the most relevant international experience to tackle British Coal but neither has declared an interest.

Nevertheless, the government is determined to find a buyer, and that is why it is keen to get British Coal into commercial shape. Ministers must therefore be tempted to agree with the corporation that the best solution is to implement pit closures quickly, with as many as 15 before next April. The final decision on timing will rest with ministers. They believe the backbench Tory MPs who threatened to vote against them last October are still in the mood to rebel.

Costs indicate need for a national childcare strategy

From Mrs Helen Jameson.

Sir, Your report, "Real cost of childcare rises steeply" (August 5), made interesting reading, largely because the figures you quote do not correspond to the real cost of full-time childcare in the UK. Perhaps the average weekly spend includes part-time childcare, and hence does not give an indication of the average cost of full-time childcare. In the interests of informed debate on the general inaccessibility of good, affordable childcare, against the background of the recent "home alone" case, I suggest that the following costs are the norm in London:

- Full-time nursery, £90-£184 a week, with most nurseries charging in excess of £130 a week for children under two years. The costs are largely governed by the staff: child ratios set out in the Children Act Guidelines.
- Full-time, live-out nanny, £150-£200 a week net. A parent paying £180 a week net must also pay £36 tax, employee's NIC and employer's NIC, making a total cost of £275 a week.

Hence the need for a national childcare strategy and a revisiting of the tax relief debate.

Helen Jameson, 39 Blandford Road, London W4 1DX

Privatise the Treasury too...

From R F Hassler.

Sir, My wholehearted appreciation of Samuel Brittan's Economic Viewpoint ("Advice given to ministers..." August 12). An independent central bank is certainly essential, but why should we stop there? Let us

privatise the Treasury - that surely is the most effective way of achieving accountability, and sweeping away the cobwebs. R F Hassler, 128 Portman Mansions, Chiltern Street, London W1

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Squeeze on coal market has gone too far

From Mr A D J Horsler.

Sir, In Tony Jackson's article ("No more buried treasure", August 9) there is much tilting at windmills and a key point is missed. This is that a strong case exists for believing that the squeeze on the market for UK coal has gone too far.

Many of the gas stations replacing coal-fired generation, however financially attractive to their investors, are doubtfully economic in national resource terms, as the trade and industry select committee has pointed out, once pricing

rivalries in the electricity sector are set aside. Magnox stations may or may not be very cheap on an avoidable cost basis - but how long will they continue? Further nuclear investment is likely to cost a great deal more, despite claims to the contrary.

So the right size of the UK coal industry in national economic terms may well be larger than the shorter-term market pressure will support at present. Mr Jackson's argument that we can find out by "letting each pit operate as a

separate commercial entity" ignores the strong interaction between pits in market quality and in mining terms, as well as the market power issue to which he alludes. The "transitional arrangements" that Mr Jackson suggests provide the ground for the present contracts with electricity generators, and for the government's temporary subsidy arrangement if market volume would allow that to function.

With the continuing reduction in operating costs of deep mines, British Coal expects to

compete fully with imported coal at inland power stations by the mid-1990s. The pressing argument is about how many deep mines would be competitive at that time, but would not be given a chance to be so, given current pressure on volumes from other fuels enjoying more effective protection in the power station market.

Andrew Horsler, marketing director, British Coal Corporation, Hobart House, Grosvenor Place, London SW1X 7AE

The allegiance and faith that keep Belgian federalist state alive

From Mr E Vrancken.

Sir, In his account of his recent visit to Belgium ("A king and his people: Belgium's late monarch was a rare symbol of national identity", August 11) Edward Mortimer gives ample space to the raving

views of a Mr Sweron, an obscure schoolmaster who belongs to the far-right political spectrum and whose opinions do not in any way reflect those of the average Belgian citizen. Most Belgians reject separat-

ism along ethnic or linguistic lines, a fact proven by recent opinion polls. Their dignified sorrow following the death of the king has demonstrated their profound allegiance to their country. It is this and their faith in

our new federalist state which keeps Belgium alive, and not some obscure capitalistic conspiracy in Brussels as Mr Sweron would have it. E Vrancken, 173 Sirrines Road, Stockport SK12 3AN

Losers in a Gatt deal

From Mr Peter Madden.

Sir, While Adrian Hewitt and Sheila Page (Letters, August 4) rightly stress the overall economic gains to developing countries from the current General Agreement on Tariffs and Trade package, they fail to point out that these gains will be unevenly spread. Their own work, as well as that of others, shows that the very poorest countries may lose out.

The world's poorest countries will suffer from the erosion of the value of their current trading preferences, higher prices for imported food, and a decrease in bargaining power resulting from the new investment regime. Their heavy reliance on primary products and a lack of capital, skills and technology mean that they stand to gain little from the trade liberalisation and a growth in world income. In our haste to conclude the Uruguay round, let us not forget the needs of the poorest.

Peter Madden, Christian Aid, PO Box 100, London SE1

Flexible VAT

From K H A Smith.

Sir, Recent reporting on the number of company liquidations this year seems to ignore the fact that it is government departments which seem to be causing the mayhem. In a recent issue of *Stubb's Gazette* dated Friday July 23, under the section "Petitions presented", one page alone contained 131 reports - there were 84 from HM Commissioners of Customs & Excise and four from the Inland Revenue. The majority on other pages were just the same, but I must count.

Would not some flexibility on the payment of VAT by small firms dramatically reduce the number of liquidations?

K H A Smith, 1 Sherbourne Road, Acocks Green, Birmingham B27 6AB

Buying spree

From Mr R Walker.

Sir, Whatever happened to "Sell in May and go away"? R Walker, Collesie Mill House, Collesie, Fife KY7 7RQ

ECONOMIC DIARY

TODAY: National savings results (July).

TOMORROW: United Nations Security Council due to review sanctions against Libya on the Lockerbie case. Mr. Juan Carlos Wamosny, president-elect, takes over from General Andres Rodriguez to become first freely-elected civilian president of Paraguay. Start of the Edinburgh Festival and Festival Fringe (until September 4). International Genetics Congress opens in Birmingham (until Saturday).

MONDAY: Overseas earnings of the City 1992. US industrial production; capacity use (July). Ninth round of Sino-UK talks expected to begin in Beijing (until August 17). Talks in Uganda between Brazil and the Inter-African Coffee Organisation. Interim statement from Argos.

TUESDAY: CBI survey of distributive trades (July). Public sector borrowing requirement (July). UK acquisitions and mergers (second quarter). VAT registrations and deregistrations 1992. US housing starts - building permits (July). Monopolies and Mergers Commission publishes summary and conclusions of reports on the gas industry. Statement from the International Air Transport Association. Radiocommunications Agency publishes annual report. Interim statements issued by Marley, Hanson and Sedgwick Group.

WEDNESDAY: Retail prices index (July). Retail sales (July). Government of Finland starts final drafting of 1994 budget.

THURSDAY: UK income, output and expenditure (second quarter). Capital expenditure and stockbuilding (second quarter-provisional). Machine tools (June). Major British banking groups' monthly statement (July). Building societies monthly figures (July). Provisional figures for vehicle production (July). Provisional estimates of monetary aggregates (July). US jobless claims; merchandise trade (June). Mr. Shimon Peres, Israeli foreign minister, starts two-day official visit to Norway.

FRIDAY: Balance of trade with countries outside the European Community (July).

LIFE EQUITY OPTIONS

CALLS						PUTS						CALLS						PUTS						CALLS						PUTS					
Option	Oct	Jan	Apr	Jul	Nov	Option	Oct	Jan	Apr	Jul	Nov	Option	Oct	Jan	Apr	Jul	Nov	Option	Oct	Jan	Apr	Jul	Nov	Option	Oct	Jan	Apr	Jul	Nov						
Alcatel-Lucent	350	37	65	75	3	25%	350	37	65	75	3	25%	Amgen	400	38	55%	-	18%	37%	Nov	120	11%	18	21%	3	7%	11	11	1	1					
(S&P)	350	37	65	75	3	25%	350	37	65	75	3	25%	Cardinal	350	35	50%	-	15%	37%	Nov	120	11%	18	21%	3	7%	11	11	1	1					
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(S&P)	350	37	65	75	3	25%	350	37	65	75	3	25%	(F54)	350	31%	47	-	12%	33%	Nov	120	11%	18	21%	3	7%	11	11	1	1					
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INTERNATIONAL COMPANIES AND FINANCE

Daiwa Bank rescues brokerage

By Eniko Tarazona in Tokyo

DAIWA BANK has stepped in to rescue Cosmo Securities, a second-tier Japanese broker which yesterday reported an extraordinary loss of ¥88.8bn (\$677m) due to *tobashi*, or manipulation of its clients' accounts.

Daiwa will become the first bank to hold a stockbroker subsidiary, even though Japanese banks are not yet permitted to own brokerages.

Otsuka-based Daiwa, a leading creditor of Cosmo, will inject between ¥70bn and ¥80bn through an emergency third-party share allotment. It will in effect acquire over 50 per cent of the broker, whose liabilities exceeded total assets by ¥7.1bn, paralysing its operations.

Concern among the financial

EVIDENCE of rising real estate debts and news of fresh investigations into securities deals, both emerging after Tokyo's close, sent prices of Japanese shares falling in London sharply lower, Reuter reports. Worried traders rushed to square positions before the weekend. "The underlying tone is one of fear. Decent positions have been given up as a result," said one dealer. The Nikkei-50 index fell 9.18 points to 12,725.5, following a 20.11 drop in the 225-share Tokyo index to 20,745.17.

authorities was highlighted by a hastily-called press conference by Mr Hirohisa Fujii, finance minister.

Mr Fujii stressed the importance of Cosmo's rescue to prevent any confusion on the stock market and to protect Cosmo's employees.

However, the revelations may hit the Tokyo stock market, which has stabilised after a three-year decline that stemmed partly from scandals involving brokers' links with gangsters, stock price manipu-

lation and compensations to favoured customers.

Ministry of Finance officials admitted they had not known of transactions which started in 1987, and of the extensive losses Cosmo suffered when it could not find new homes for the accounts of some 20 clients.

Last year, the ministry reprimanded Cosmo in a separate case involving *tobashi*, transferring loss-making stocks from client account to client account in an attempt to avoid booking the loss.

The finance ministry has drawn up plans to investigate the country's 48 brokers, although it maintained Cosmo was likely to be an isolated case.

However, it is unlikely that Cosmo will be able to distribute dividends on its stocks, and the move is expected to be a financial burden on Daiwa, which plans to use its own funds for the bail-out.

Mr Hiroshi Nakano, president of Cosmo, said that the survival of the brokerage depended on Daiwa's help, and it was prepared to become Daiwa's affiliate.

Mr Nakano added that the company's capital adequacy ratio, which currently stands at minus 280 per cent, would rise after the capital infusion to 220 per cent, the level before the losses.

Hong Kong investors sell News Corp stake for \$288m

By Simon Davies in Hong Kong

HUTCHISON Whampoa and the Li family have sold their holding in News Corporation for US\$288.4m, less than three weeks after the shares were received as part-payment for the sale of 64 per cent of Star Television.

The Hong Kong investors made a profit of 10 per cent on the 6.7m News Corp American Depositary Receipts, which they sold at \$48 each. The placement represented half of the proceeds from the \$525m sale of the Asian satellite broadcaster.

The transaction had been expected, since News Corp shares have performed strongly following the Star deal and represent a low-yielding investment with a potential currency risk.

Hutchison has now raised HK\$2.15bn (US\$277m) in cash from its investment in Star, which will help fund the group's ambitious foray into UK telecommunications.

Around HK\$1.5bn of the proceeds will be taken as an extraordinary dividend, and will help offset expected provisions for the first half of the year.

The Hutchison share price rose 60 cents to HK\$22.40 yesterday. Mr Adrian Faure, research director at Barings Securities, said: "This is positive news. It adds HK\$100m to the bottom line from a trading profit, and Hutchison has now received all of the cash from the transaction."

Hutchison and the Li family remain partners with News Corp through their remaining 36 per cent stake in Star. They have said this will be retained as a long-term investment.

Euro Disney heading for heavy losses this year

By Alice Rawsthorn in Paris

EURO DISNEY, the troubled leisure group behind the Euro Disneyland theme park, yesterday confirmed it was heading for heavy losses this year after announcing a fall in consolidated operating revenue.

Revenues declined to FF1.47bn (\$243m) in the three months to June 30 (the third quarter) from FF1.5bn in the same period last year.

However, the slight reduction in revenue for the period disguises the severity of the deterioration in the group's underlying performance, given that the theme park did not trade for the full quarter last year. It did not open until April 12 1992.

Euro Disney recently announced it had asked Walt Disney, its US parent, for financial support while it attempted to restructure debt.

It warned of a net loss of FF600m for the third quarter and yesterday said that it had "no reason" to change that estimate.

Analysts now expect a net loss of between FF1.5bn and FF2bn for the full financial year to September 30.

The group, which initially hoped to be profitable from its opening year, has already recorded a net loss of FF1.06bn for the six months to March 31, after losing FF1.39m in the previous year.

The deterioration in Euro Disney's performance during the third quarter is particularly grave, given that the spring months should be one of the busiest periods for the park.

Euro Disneyland has been dogged by the European recession, which has led to a slight shortfall in the number of visitors to the park and in the amount of money they spend.

The group has faced the additional problem of the strong franc in the current financial year, which began just after last September's currency crisis.

As a result, foreign attendance has fallen sharply. The number of visitors from the UK, previously one of its strongest markets, fell by 50 per cent to 310,000 in the first half.

But Euro Disney's sales had already responded to the franc's recent weakness following this month's reform of the European exchange rate mechanism. It had detected an improvement in business from the UK and Spain.

The company also hopes to benefit from cost-cutting. The number of employees has been reduced from 18,500 on July 31 last year to 15,675 at the end of this year, mainly through cuts in its permanent workforce.

Ferfin stock recovers on speculative buying

By Haig Simonian

FERRUZZI Finanziaria (Ferfin), the Italian holding company which is staggering under total borrowings of L28.838bn (\$17.8bn), staged a strong recovery in its share price on the Milan stock exchange yesterday.

On the second day of trading after Tuesday's two-day suspension, Ferfin shares soared by 46 per cent to close at L328.

Stock in Montedison, Ferfin's main industrial subsidiary, climbed by almost 5 per cent to L736.60.

Trading in Ferfin shares was suspended earlier this week in advance of news of revised losses for the first five months of this year and plans to write down the nominal share price to L5 from L1,000.

The impact of the write-down and scale of the problems at the group, which is labouring under allegations of political corruption, severe financial irregularities and vast debts, made it virtually impossible for analysts to judge a fair share price when trading in the shares resumed on Thursday.

Dealers said that yesterday's strong recovery in the group's share price - which followed an official price of L234.40 on Thursday - was partly speculative.

Trading was also fuelled by some upbeat forecasts for the fate of Ferfin's shares when its main creditor banks unveil their rescue plan next month.

Berlusconi in share-swap deal

By Haig Simonian in Milan

SILVIO Berlusconi Editore, the publishing house owned by Mr Silvio Berlusconi's Fininvest group, has launched its expected share exchange offer for Mondadori, Italy's biggest publisher.

The deal - effectively a reverse takeover of Mondadori by SBE - will allow Mr Berlusconi to gain an immediate quotation for his hitherto-unlisted publishing interests.

Once completed, Fininvest, which already owns most of Mondadori, is expected to float a minority of the capital in SBE-Mondadori to raise about L550bn (\$340m) in order to lower its debts.

Separately, it is expected that Fininvest, which had total net debts of L3,333bn at the end of last year, will later this month issue its first comprehensive balance sheet.

The figures may provide additional ammunition in the



Silvio Berlusconi: deal paves way for stockmarket listing

battle between Mr Berlusconi and his critics over the size of the group's borrowings.

Mondadori raised group sales by 9.8 per cent to L191bn in the first half of this year, from L187bn, while net profits amounted to L25.4bn. SBE's first-half sales were L184.8bn, while profits were L15.8bn.

Aggregate 1992 figures for the two companies show sales of L1,851bn and net profits of L50.9bn.

Shareholders in Mondadori will be offered one SBE ordinary share for every ordinary share held, while holders of Mondadori savings stock will receive three SBE ordinary shares for every four shares they own.

If all Mondadori shareholders accept the plan, Fininvest will own about 87.5 per cent of SBE, which will in turn wholly own Mondadori.

How much Fininvest will be able to raise by floating shares in SBE-Mondadori will depend on market conditions and the timing of the deal. Mr Berlusconi has indicated that the plan will occur before the end of this year and a substantial proportion of the shares are expected to be offered abroad.

Banca Commerciale Italiana and Goldman Sachs are advising on the transaction.

Wereldhave chairman resigns

By Ronald van de Krol in Amsterdam

WERELDHAVE, the second-largest property company in the Netherlands after Rodamco, said its managing board chairman Mr Meindert Koolstra was resigning.

The group cited differences of opinion with the supervisory board about company policy and structure.

Mr Gijb Verweij, the company's second board member, will assume his duties while a search is made for a new member of the board. At a later stage a decision will be taken on which of the two board

members will become chairman, a company spokesman said.

He declined to be drawn on the reasons for Mr Koolstra's departure.

Wereldhave's shares did not react to news of the resignation, closing unchanged on the Amsterdam Stock Exchange at FL111.20.

Mr Koolstra joined Wereldhave as its chairman in 1990 after the similarly abrupt departure of his predecessor, Mr Onno Huisken, who had spearheaded the company's successful takeover of Peachey Properties of the UK in 1988.

● Koninklijke Frans Maas, the Dutch road transport group, warned that its 1993 result would be worse than forecast, Reuter reports from Amsterdam.

Frans Maas had said in January that 1993 profits would be much lower than the F136.5m (\$18.83m) posted in 1992.

The company said the recession in Europe would have a bigger impact on the turnover and results than was expected at the beginning of the year.

In January, Frans Maas, 32 per cent owned by KLM, said it expected profits to fall because of lower income from customs activities.

China Pepsi bottler posts strong advance

SHENZHEN Shenbao Industrial, the sole bottler of Pepsi-Cola in Shenzhen, China, reported that its net profits rose 133 per cent to ¥14.8m (\$2.6m) for the first six months ended June 30, AP-DJ reports.

The directors of the company did not declare any interim dividend.

The company's sales advanced to 143.4m yuan from 128.5m last year, a rise of 12 per cent.

Management shake-up continues at Kodak

By Nikk Tait in New York

EASTMAN Kodak, the US photographic equipment group, has announced further moves among its senior executives, one week after independent directors ousted Mr Kay Whitmore as chairman.

Kodak's board said that it was appointing Mr Michael Hamilton as general controller of the group with effect from September 1, when Mr Julian Gordon retires.

Mr Hamilton will also continue to be the company's acting chief financial officer, a post he has held since May when Mr Christopher Steffen quit after disagreeing with Mr Whitmore over Kodak's restructuring plans.

Kodak also announced the resignation of Mr Barnard Deavenport, president of the Eastman Chemical Company, as a Kodak director.

The company said the move was expected because of the previously-announced plan to spin off the chemicals unit.

Mr Deavenport, who will head the new independent company, joined the Kodak board in May 1992.

Refinancing for Reliance

RELIANCE Group, the US investor, has filed offerings of 200m common shares and \$600m of debt as part of a refinancing, AP-DJ reports.

The proceeds will be used to repay the balance under the company's old credit facilities and all outstanding public debt. Reliance is also entering into a new credit facility as part of the plan.

The company plans to offer 20m common shares in the US and 18m shares in international markets.

Of the debt, \$300m is to be senior notes and \$300m senior subordinated debentures.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	\$368.75	-7.75	\$336.45	\$405.75	\$338.05
Silver per troy oz.	\$16.50p	+11.0	\$19.50p	\$28.50p	\$236.00p
Aluminium 99.7% (cash)	\$1184.5	-16	\$1299.5	\$1240.00	\$1108.00
Copper Grade A (cash)	\$1943.0	-25.5	\$1925	\$2375.00	\$1733.50
Lead (cash)	\$386.5	-11.5	\$329	\$460.00	\$376.50
Nickel (cash)	\$477.5	-85	\$5280	\$6340	\$4770
Zinc SHG (cash)	\$870.5	-2	\$1336.5	\$1712	\$886.0
Tin (cash)	\$4812.5	-51	\$6725	\$8204.5	\$4812.5
Cocoa Futures (Dec)	\$791	+7	\$544	\$772	\$544
Coffee Futures (Nov)	\$1122	+8	\$723	\$1128	\$836
Sugar (LDP Raw)	\$245.7	-15.5	\$258.5	\$317.4	\$204.5
Barley Futures (Nov)	\$103.45	+1.95	\$112.75	\$110.30	\$101.80
Wheat Futures (Nov)	\$170.70	+0.56	\$175.55	\$149.45	\$105.75
Cotton Outlook A Index	\$4.60c	-1.00	\$6.95	\$2.30c	\$4.50c
Wool (S&S Super)	\$310	N/C	\$376	\$450	\$340
Oil (Brent Blend)	\$17.04c	+0.58	\$20.05	\$19.53	\$16.46

For terms unless otherwise stated, p=per cent, c=cents, b.=bushels

London Markets

SPOT MARKETS	Latest prices	Change on week	Year ago	High 1993	Low 1993
Crude oil (per barrel FOB Sep)	\$25.00	-0.14	\$24.75	\$25.00	\$24.75
Dubai	\$14.75-14.80	-0.14	\$14.75	\$14.75	\$14.75
Brent Blend (cash)	\$16.67-16.91	+0.55	\$16.67	\$16.67	\$16.67
West Blend (cash)	\$17.02-17.05	+0.55	\$17.02	\$17.02	\$17.02
WTI (11 pm est)	\$16.03-16.05	+0.01	\$16.03	\$16.03	\$16.03
Oil products					
NWE prompt delivery per tonne CIF	\$190-195	-7	\$190	\$190	\$190
Gas oil	\$162-163	-1	\$162	\$162	\$162
Heavy fuel oil	\$161-162	-1	\$161	\$161	\$161
Refined Argus Estimates	\$159-161	-1	\$159	\$159	\$159
Other					
Gold (per troy oz)	\$368.75	-7.75	\$336.45	\$405.75	\$338.05
Silver (per troy oz)	\$16.50p	+11.0	\$19.50p	\$28.50p	\$236.00p
Platinum (per troy oz)	\$278.50	-5.00	\$278.50	\$278.50	\$278.50
Copper (per troy oz)	\$1.943	-25.5	\$1.925	\$2.375	\$1.7335
Lead (per troy oz)	\$3.865	-11.5	\$3.29	\$4.60	\$3.765
Nickel (per troy oz)	\$4.775	-85	\$5.280	\$6.340	\$4.770
Zinc (per troy oz)	\$8.705	-2	\$13.365	\$17.12	\$8.860
Tin (per troy oz)	\$481.25	-51	\$6.725	\$8.2045	\$481.25
Cocoa (per troy oz)	\$7.91	+7	\$5.44	\$7.72	\$5.44
Coffee (per troy oz)	\$11.22	+8	\$7.23	\$11.28	\$8.36
Sugar (per troy oz)	\$2.457	-15.5	\$2.585	\$3.174	\$2.045
Barley (per troy oz)	\$10.345	+1.95	\$11.275	\$11.030	\$10.180
Wheat (per troy oz)	\$17.070	+0.56	\$17.555	\$14.945	\$10.575
Cotton (per troy lb)	\$4.60c	-1.00	\$6.95	\$2.30c	\$4.50c
Wool (per troy lb)	\$310	N/C	\$376	\$450	\$340
Oil (per troy lb)	\$17.04c	+0.58	\$20.05	\$19.53	\$16.46

For terms unless otherwise stated, p=per cent, c=cents, b.=bushels

Crude oil (per barrel FOB Sep)

Dubai

Brent Blend (cash)

West Blend (cash)

WTI (11 pm est)

Oil products

NWE prompt delivery per tonne CIF

Gas oil

Heavy fuel oil

Refined Argus Estimates

Other

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc and krone fall again

The French franc and Danish krone fell close to historic lows against the D-Mark in the exchange rate mechanism yesterday as dealers took the view that their policy of keeping short term interest rates high would not work, writes James Blitz.

France negative reserves position continued to work against the franc's favour yesterday because dealers believed that the French authorities must buy D-Marks to rebuild reserves and repay the Bundesbank for its support of the currency in the ERM.

Mr Edouard Balladur's strong hint on French TV on Thursday night that French rates would remain high did not help the currency. Nor, too, did his suggestion that France was seeking ways of controlling currency speculation: one analyst suggested yesterday that this might be enough to encourage some major players to hedge their

bond exposures.

The franc therefore closed at FF2.538 from a previous FF2.514. Mr Jim O'Neill, head of research at Swiss Banking Corporation, believes that the franc is heading for FF3.50 in the next few weeks. "If France does not reduce rates, it could go lower," he said.

The rest of Europe was dominated by D-Mark strength. The Danish krone fell sharply to a low of DK4.1400 against the German currency, having been at DK4.1200 at the start of the day. Even the Dutch guilder came under attack at one stage, dealers have at various stages this week wondered about the credibility of the more closely tied currencies in Europe. At the close of ERM trading yesterday, there were some 8.43 percentage points dividing the strongest and weakest ERM currencies.

The yen was, again, the other source of interest touching a new high of ¥101.80 in the day.

Europe, before closing at ¥102.20. The Bank of Japan intervened again in the currency market. But the Japanese currency was boosted by comments from Mr Walter Mondale, the new US ambassador to Tokyo, who said that reduction of the trade deficit with Japan was one of his highest priorities.

Many dealers are convinced that the currency will break the ¥100 level soon, although there are expectations that the new Japanese government could order a cut in the Official Discount Rate at its cabinet meeting on Thursday.

Sterling fell back sharply on all fronts yesterday, partly hindered by D-Mark strength but also by perceptions that the UK's economic data earlier this week were worse than expected. There is a bullish talk in UK money markets about a near-term cut in base rates. The pound closed at DM2.4975, down 2 pennings in the day.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG PUT FUTURES OPTIONS

Strike	Call	Settlement	Puts	Settlement
111	2.33	2.33	0.05	1.19
112	1.33	2.15	0.15	1.45
113	0.54	1.47	0.38	1.13
114	0.25	1.20	0.67	0.50
115	0.10	0.63	1.06	0.29
116	0.05	0.40	1.50	0.14
117	0.01	0.23	2.47	0.02
118	0.00	0.12	4.00	0.00

Estimated volume: 1,400 Puts 2019
Previous day's open: Call 1940 Puts 1940

LIFFE EUROPEAN OPTIONS

Strike	Call	Settlement	Puts	Settlement
9200	0.54	1.12	0.01	0.02
9250	0.54	1.12	0.01	0.02
9300	0.11	0.65	0.08	0.06
9350	0.03	0.48	0.28	0.11
9400	0.01	0.28	0.48	0.18
9450	0.01	0.17	0.72	0.32
9500	0.01	0.10	0.90	0.50
9550	0.01	0.06	1.22	0.71

Estimated volume: 1,400 Puts 2019
Previous day's open: Call 1940 Puts 1940

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111	2.33	2.33	0.05	1.19
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LIFFE EUROPEAN OPTIONS

LIFFE EURO STRESS FUTURES OPTIONS

Strike	Call	Settlement	Puts	Settlement
9475	0.65	1.00	0.02	0.02
9500	0.41	0.78	0.01	0.03
9525	0.18	0.53	0.03	0.05
9550	0.05	0.34	0.15	0.11
9575	0.02	0.20	0.37	0.22
9600	0.01	0.09	0.61	0.36
9625	0.00	0.02	0.85	0.57
9650	0.00	0.01	1.10	0.80

Estimated volume: 1,400 Puts 2019
Previous day's open: Call 1940 Puts 1940

LIFFE EURO STRESS FUTURES OPTIONS

Strike	Call	Settlement	Puts	Settlement
9475	0.65	1.00	0.02	0.02
9500	0.41	0.78	0.01	0.03
9525	0.18	0.53	0.03	0.05
9550	0.05	0.34	0.15	0.11
9575	0.02	0.20	0.37	0.22
9600	0.01	0.09	0.61	0.36
9625	0.00	0.02	0.85	0.57
9650	0.00	0.01	1.10	0.80

Estimated volume: 1,400 Puts 2019
Previous day's open: Call 1940 Puts 1940

LIFFE EURO STRESS FUTURES OPTIONS

Strike	Call	Settlement	Puts	Settlement
9475	0.65	1.00	0.02	0.02
9500	0.41	0.78	0.01	0.03
9525	0.18	0.53	0.03	0.05
9550	0.05	0.34	0.15	0.11
9575	0.02	0.20	0.37	0.22
9600	0.01	0.09	0.61	0.36
9625	0.00	0.02	0.85	0.57
9650	0.00	0.01	1.10	0.80

Estimated volume: 1,400 Puts 2019
Previous day's open: Call 1940 Puts 1940

LIFFE EURO STRESS FUTURES OPTIONS

BRITISH POUND (MM)				
	Latest	High	Low	Prev.
Sep	1.4598	-	1.4585	1.4636
Dec	1.4512	1.4590	1.4488	1.4650
Mar	-	-	-	1.4494

SWISS FRANC (MM)				
	Latest	High	Low	Prev.
Sep	0.6500	0.6500	0.6500	0.6500

**By Terry Byland,
UK Stock Market Editor**

Equity chart analysts found particular satisfaction in the Footsie's success in closing above 3,000 again, despite the expected end-of-account profit taking. At last night's final

Over the account, the Footsie Index has put on 83.6 points, or 2.9 per cent, as confidence that UK base rates will

Short dates shaded easier on the belief that rate cuts may have to wait until the autumn, while index-linked gilts indi-

inflation by gaining about 1/2 point. Seaq volume in equities remained high at 753.8m

Good trading news from Unilever cheered the stock market yesterday, although there was some concern over progress in

[illegible]

All the stocks showed hefty gains. Among these, Anglian jumped 15 to 510p, Thames 13 to 520p and Yorkshire 14 to 30p.

NEW HIGHS AND

LOOKS FOR 1993

Armour Trust	48	+	4
Baird (Wm)	275	+	15
Bluebird Toys	304	+	12

Wintrust	280	+	30
Falls			
Madison	250		100

MARKET REPORTERS:
Christopher Price.

	1986	1987	1988	1989	1990	1991	1992	1993	Year ago	% High Low
Ordinary shares	2264.7	2569.2	2376.1	2260.3	2374.5	1753.8	2391.1	2124.7		
Intl. div. yields	3.52	2.90	1.89	3.91	3.68	5.14	4.52	3.88		
Intl. div. yields	3.52	2.90	1.89	3.91	3.68	5.14	4.52	3.88		
P/E ratio net	7.99	27.20	22.23	27.12	27.78	16.32	26.37	18.40		
P/E ratio net	25.46	25.16	22.23	25.06	25.32	15.74	29.32	18.14		
P/E ratio net	25.46	25.16	22.23	25.06	25.32	15.74	29.32	18.14		

* For 1993, Ordinary shares since compilation high 2527.1/11/88; low 49.4/26/84;
 Ord. Shares since compilation high 754.7/12/89; low 4.3/26/07/71
 Intl. div. shares 11/77; Intl. div. shares 12/89.

Indices show yearly changes

Volume	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8
SEAQ Bargains	45,250	-55,535	37,797	37,682	34,200	18,659
Equity Research*(bnst)	-	216,939	1824.7	1568.0	1166.1	8200.2
Equity Bargains*	-	51,816	42,568	42,919	30,579	31,152
Shares traded (mil)	-	877.9	769.2	653.7	500.0	299.9
† Excluding intra-market business and overnight turnover.						

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36/pminute cheap rate. 48p at all other times.

Percentage changes since December 31, 1992 based on Friday August 13, 1993	
Gold Miners Index	+197.91
Property	-57.24
Merchants Retail	-57.24
Engineering-Aerospace	+53.94
Metals & Mining	-45.59
Contracting, Construction	-45.59
Building Materials	+31.82
Financial Group	-30.51
Banks	-30.51
FT-SE SmallCap	+25.26
FT-SE SmallCap ex Inv Tr	+25.26
Investment Trusts	-24.69
Utilities	-24.69
Capital Goods	-24.07
Engineering-General	+22.89
Motor	-22.26
Insurance Brokers	-22.26
FT-SE Mid 250	+20.70
Electricals	+20.58
FT-SE Mid 250 ex Inv Tr	+20.57
Electricity	+20.57
Insurance (Composite)	+18.48
Oil & Gas	+15.98
Transport	+14.27
Chemicals	+13.74
Packaging & Paper	+13.74
Other Industrials	+12.31
Telephone Networks	+9.96
Complementments	+9.96
Other Groups	+9.88
FT-AI All-Share	+8.72
Chemicals	+8.72
Hotels & Leisure	+2.02
Business Services	+4.58
FT-SEA 350	+7.84
Water	+7.84
Stores	+7.84
SEF Share Index	+5.94
FT-SE 100	+5.75
Industrial Group	+4.88
Food Manufacturing	+3.53
Consumer Goods	+3.53
Brewers & Distillers	+7.59
Food Retailing	+1.72
Pharmaceuticals	+1.72

BENCHMARK GOVERNMENT BONDS							
Coupon	Red Date	Price	Change	Yield	Week ago	Month ago	
AUSTRALIA	8.500	06/03	118.8954	-0.245	6.86	6.85	7.02
BELGIUM	9.000	03/03	112.9000	-0.150	7.10	7.01	7.08
CANADA *	7.500	12/03	103.0350	-0.380	7.08	7.08	7.10
DENMARK	8.000	05/03	108.3550	-0.680	6.57	6.77	7.04
FRANCE	8.500	05/98	106.9488	-0.478	5.77	5.70	5.71
ITALY	8.500	04/03	115.2000	-0.280	6.34	6.27	6.30
GERMANY	6.500	07/07	101.3750	-0.090	6.31	6.37	6.51

RISES AND FALLS YESTERDAY

	On Friday			On the week		
	Rises	Falls	Same	Rises	Falls	Same
British Funds	55	8	18	220	122	63
Other Fixed Interest	3	0	12	25	7	43
Commercial, Industrial	347	270	806	2,015	1,035	4,049

Financial & Property	179	106	529	1,575	330	2,145
Oil & Gas	18	16	47	104	63	238
Plantations	2	0	8	4	0	36
Mines	14	53	67	153	190	327
Others	50	33	40	294	158	215
Totals	888	486	1,525	4,380	1,905	7,116

Prices for electricity delivered for the purposes of the electricity supply and distribution undertakings in England and Wales.

Planned Price for delivery in 1990

First Price for Supply in 1989

1990 year	First purchase price Dollars	First purchase price pence	First purchase price pence	First selling price pence
0000	20.85	30.70	25.56	
0100	20.85	30.70	25.56	
0200	20.85	30.70	25.56	
0300	20.85	30.70	25.56	
0400	20.85	30.70	25.56	
0500	20.85	30.70	25.56	
0600	20.85	30.70	25.56	
0700	20.85	30.70	25.56	
0800	20.85	30.70	25.56	
0900	20.85	30.70	25.56	
1000	20.85	30.70	25.56	
1100	20.85	30.70	25.56	
1200	20.85	30.70	25.56	
1300	20.85	30.70	25.56	
1400	20.85	30.70	25.56	
1500	20.85	30.70	25.56	
1600	20.85	30.70	25.56	
1700	20.85	30.70	25.56	
1800	20.85	30.70	25.56	
1900	20.85	30.70	25.56	
2000	20.85	30.70	25.56	
2100	20.85	30.70	25.56	
2200	20.85	30.70	25.56	
2300	20.85	30.70	25.56	

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices in pence per megawatt-hour the current price should be moved one place to the left, eg 10.50p/mwh becomes 1.0500p/mwh. Provision for the transmission of such price is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales.


THE POOL COMPANY PREPARED TO make the necessary adjustments to the pool pump's speed to prevent it from overheating in response to electricity fed back through the pool. The calculation of pool pumps is a highly complex process, and the amount of power is adjusted to prevent air circulation (and sometimes water circulation) until the pool pump's power is diminished approximately twenty-four days after the day of testing. Accordingly, due to the possibility of their review and/or correction, no estimate would be placed upon prohibited pool owners for any day being the same as the pool pump speed for the day. Pool data

are also known to represent the
the area used by members of electricity under the
post trading arrangements, it is important upon the
the administration of Post Purchase Price. Further
information on post prices is provided on behalf of the
Post by Energy Economics and Information Services
Limited. Anyone wishing to receive such information
should telephone 0500-000000 between 9.00am and
5.00pm Monday to Friday.
Energy Economics and Information Services Limited

	Brother International Europe
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backing




nd., Brother House, 1 Tame Street, Audenshaw, Manchester M34 5JE.

AUTHORISED UNIT TRUSTS

● ET Cityline Unit Trust Prices are available over the telephone. Call the ET Cityline Help Desk on (877) 873-4378 for more details.

[illegible][illegible]

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588																																																																																																																																																																																																																																																																																																																																			
Equity Share Unit Managers Ltd (1000%)	253.7	74.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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[illegible]

[illegible]

ASSOCIATES IN ADVERTISING

MINES, Cont.

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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Julia	100	100	100
Nelson Gold	100	100	100
Black yam	100	100	100

1071	-0.2	1181	81.5	1,504	2.1
10	..	131.2	2	3.18	..
18	..	69	5	3.26	2.0
32	-10	80	19	17.7	..
59	-1	32	14	17.4	4.9
224	..	29	108.8	..	..
107	-8	129	50	498.5	3.5
130	-1	136.5	91	527.6	3.8
73	..	81	102.1	..	2.1
21.5	..	3	0.3	11.7	..
143	..	173	56	888.6	1.9
198	..	239	86	1,013	2.1
90.5	.....	102.5	45	24.8	..
17	..	81	36	102.1	..
179	..	182	115	350.0	2.8
86.5	..	80	18	8.5	..
48	-4	77	1	13.4	..
11.5	..	21.5	1	13.5	..
28	..	27	9	9.71	..
353	..	360	10	11.6	6.8
31	..	31	13	86.2	..
22	..	3	1	4.57	..
9	..	8	2.5	4.78	..
286	-5	283	178	2,392	2
9	..	91.2	4	2.81	..
35	..	48	25	3.20	13.1
280	..	280	125	54.7	0.5
98	..	98	2	246.7	22.8
245	..	250	160	24.1	1
81.5	..	71.5	4	3.85	..
27.4	..	31	6.5	..	..
46.5	-2	54.2	12.5	5.12	..
32	..	32	15	37.8	..
50.6	..	50	18	1.49	61.2
9.4	-4	8.4	3.4	10.7	..
30	..	42	15	18.9	..
11	..	12	1.2	2.03	..
14.2	..	22.4	5	11.3	..
58.4	..	69.5	37.5	683.5	..
42	..	42	1	21.7	1.4
12	..	13	9	8.28	..
8.4	..	13.1	3	0.76	..
0.7	-1.5	25.5	8.5	9.4	..
87	-5.9	100	25	14.8	..
57	..	54	10	13.7	..
76.5	..	76.5	47	..	..
3	..	3	3.5	0.98	..
686	-3	708	607	7,098	3.8

Market capitalization shown
quoted.

(MVA) are shown for Investment Trusts, in the percentage discounts (Dis) or premiums (Premium) above share price. The latter are computed after warrants converted and warrants exercised are included.

For equity traded stocks, this includes all stocks whose prices are published continuously through the Reuters Quotation System (SSE).

For fixed income, this includes:

- 1. Government bonds
- 2. Corporate bonds
- 3. Municipal bonds
- 4. Treasury bills
- 5. Commercial paper
- 6. Bankers' acceptances
- 7. Money market funds
- 8. Fixed income mutual funds
- 9. Structured notes
- 10. Convertible bonds
- 11. Subordinated debt
- 12. Asset-backed securities
- 13. Structured finance
- 14. Real estate investment trusts
- 15. Infrastructure investment trusts
- 16. Hedge funds
- 17. Private equity
- 18. Venture capital
- 19. Real estate
- 20. Commodities
- 21. Art collection
- 22. Collectibles
- 23. Fine art
- 24. Jewellery
- 25. Wine
- 26. Rare books
- 27. Rare coins
- 28. Rare stamps
- 29. Rare manuscripts
- 30. Rare paintings
- 31. Rare furniture
- 32. Rare cars
- 33. Rare watches
- 34. Rare clocks
- 35. Rare cameras
- 36. Rare telephones
- 37. Rare radios
- 38. Rare recorders
- 39. Rare tape recorders
- 40. Rare video recorders
- 41. Rare film cameras
- 42. Rare video cameras
- 43. Rare digital cameras
- 44. Rare mobile phones
- 45. Rare PDAs
- 46. Rare MP3 players
- 47. Rare digital recorders
- 48. Rare digital cameras
- 49. Rare digital video recorders
- 50. Rare digital video cameras
- 51. Rare digital camcorders
- 52. Rare digital camcorders
- 53. Rare digital camcorders
- 54. Rare digital camcorders
- 55. Rare digital camcorders
- 56. Rare digital camcorders
- 57. Rare digital camcorders
- 58. Rare digital camcorders
- 59. Rare digital camcorders
- 60. Rare digital camcorders

and thus have been adjusted to allow for rights, warrants or preferred shares.

For derivatives, this includes:

- 1. Forward contracts
- 2. Futures contracts
- 3. Options contracts
- 4. Swaps contracts
- 5. Structured notes
- 6. Structured finance
- 7. Structured debt
- 8. Structured equity
- 9. Structured real estate
- 10. Structured infrastructure
- 11. Structured hedge funds
- 12. Structured private equity
- 13. Structured venture capital
- 14. Structured real estate
- 15. Structured infrastructure
- 16. Structured hedge funds
- 17. Structured private equity
- 18. Structured venture capital
- 19. Structured real estate
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- 21. Structured hedge funds
- 22. Structured private equity
- 23. Structured venture capital
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- 50. Structured infrastructure
- 51. Structured hedge funds
- 52. Structured private equity
- 53. Structured venture capital
- 54. Structured real estate
- 55. Structured infrastructure
- 56. Structured hedge funds
- 57. Structured private equity
- 58. Structured venture capital
- 59. Structured real estate
- 60. Structured infrastructure

and thus have been adjusted to allow for rights, warrants or preferred shares.

For derivatives, this includes:

- 1. Forward contracts
- 2. Futures contracts
- 3. Options contracts
- 4. Swaps contracts
- 5. Structured notes
- 6. Structured finance
- 7. Structured debt
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FINANCIAL TIMES

Weekend August 14/August 15 1993



US move suggests full-scale inquiry to be launched

FBI demands GM files in VW 'spying' row

By Christopher Parkes in Frankfurt

THE US Justice Department has stepped up its investigation of the industrial espionage conflict between General Motors and Volkswagen with a demand to see all GM documents relating to the case, officials representing the US group said yesterday.

Federal Bureau of Investigation officers have sent a three-page list of requests for documents, including all GM affidavits, files, notes to file and telephone records.

"There are box-loads of the stuff," said an official at Adam Opel, GM's German subsidiary.

The move will come as a further blow to Volkswagen, which has been under the shadow of possible legal action against its production director, Mr José Ignacio López de Arriortúa, since German investigators started a similar formal probe in May.

That investigation appears to

be moving rapidly forward. Public prosecutors in Darmstadt interrogated Mr Daniel Godevart, a former VW board director, on Thursday this week. Although removed from the board early last month, he was likely to have been well-informed on Mr López's abrupt switch from GM in mid-March.

His interrogation suggests that Mr Ferdinand Piech, VW chairman, and other top executives, may be called shortly. Mr López and three colleagues also under suspicion of espionage, theft and fraud, are most likely to be questioned last, lawyers say.

The US move suggests that the FBI, which started examining the case in July and only later informed GM, is launching a full-scale inquiry. This could lead to employees of VW and GM being summoned for questioning in Washington.

The basis of the Justice Department probe is not known, but there have been persistent

reports from the US that it wants to examine the VW/Opel issue as a possible test case in a clamp-down on international industrial espionage.

Lawyers familiar with US intellectual property law say the FBI's demands, and evidence and allegations to emerge from a similar German investigation, suggest suspected wire or mail fraud would be the most likely line of inquiry.

A catch-all section of the US criminal code forbids the use of postal and telecommunications networks - inside and outside the US - for illegal purposes including "violations of obligations of loyalty and fruitful service" to an employer.

Penalties include imprisonment and heavy fines, generally calculated as multiples of the estimated damage to the aggrieved party or benefit to the perpetrators. The fines can apply to companies as well as individuals.

NHS cuts 'costing drug groups jobs and exports'

By Paul Abraham

GOVERNMENT attempts to cut National Health Service spending on drugs have cost thousands of jobs and hundreds of millions of pounds of exports, according to pharmaceutical groups operating in the UK.

The measures - including the surprise extension of the blacklists of products no longer available on prescription and a 2.5 per cent price cut - have undermined drug companies' confidence in the stability of the British market, they say.

Manufacturing investment has been particularly affected, they claim. Imports of drugs into the UK are already increasing more rapidly than exports, although there is still a trade surplus of £1.3bn.

Mr Mike Wilson, the managing director of Cyanamid UK, a subsidiary of American Cyanamid, said: "The extension of the selected lists (blacklists) is disastrous. It is hitting some companies very hard, affecting investment, jobs and exports, while generating little financial gain for the Treasury."

The government's measures are aimed at keeping under control NHS drugs expenditure which was £3.4bn last year and increased 14 per cent.

Groups that have deferred or decided against investment in Britain after the announcement of government measures include:

- Parke Davis, a subsidiary of the US group Warner Lambert, which announced this year it planned to move most production from Pontypool, south Wales, to the US or continental Europe within three years. Staff at Pontypool will be cut from 1,000 five years ago to 300.
- Lundbeck of Denmark, which bought a 20 acre site at Seal Sands near Middlesbrough at the beginning of the year, has now frozen development. The board is now looking at building at another location outside the UK, after the introduction of the limited lists.
- All production from Seal Sands would have been exported.
- E. Merck, the German group which, according to the independent industry newsletter Scrip, might have made an investment of more than £100m, generating 200 jobs at Pontypool, has been lost to the continent because of the limited list.
- Syntex of the US, which is closing its finished product plant at Iver, Buckinghamshire. Most production is being diverted to Spain.
- Cyanamid which has frozen development of a 28-acre site acquired last year at Gosport in Hampshire. The company was forced this week to halve the price of Traxam, an anti-infective product with UK sales last year of £10m, to avoid it being blacklisted.

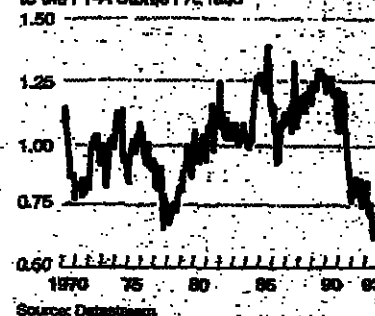
THE LEX COLUMN

Rights curtailed

FT-SE Index: 3010 (+1.0)

UK stores

FT-A Food Retailers P/E ratio relative to the FT-A Store P/E ratio



current squeeze may result from one-off pressures as recession grips mainland Europe and Procter & Gamble makes a splash in detergents in the UK. Investors seem likely to suspend judgement until the smoke clears from the battlefield.

Unilever may be able to rehabilitate itself with the market if it demonstrates more aggressive growth in emerging economies, where sales and margins continue to rise strongly. The company currently derives about 20 per cent of sales from what it calls the rest of the world. With interest covering 14 times, Unilever is certainly in a fine position to exploit further opportunities. If investors do come round to the view that consumer goods companies have been oversold, those manufacturers with big exposures to developing markets should be among the first to gain. Along with Nestlé and CPC International, Unilever would then find particular favour.

Property

Surging UK equity and bond markets and hints of lower interest rates have created another ripple of excitement in property. With yields on most assets now falling sharply, the 9 per cent yield apparently still on offer is attractive. Investors able to buy prime properties with long leases, secure tenants and upwards-only rent reviews may earn higher returns than from almost any other asset class over the next few years.

Theoretically, property shares should be highly geared to a recovery in capital values. This helps explain the sector's continued popularity despite its mere 4 per cent yield. There

is a danger, though, that property shares are running way ahead of themselves. The recent rash of rights issues has only reduced gearing. Moreover, it will be difficult for companies to buy attractive properties since sellers are scarce in a rising market.

Property companies may be tempted to buy secondary locations. But such sites are by definition risky. Any large interest rate rises would expose them horribly. Capital values are unlikely to be underpinned by private buyers because of the banks' reluctance to lend. The hope must be that rising rents will push up capital values. But that prospect remains hazy, considering the vast glut of secondary property still on the market. The latest data suggests rental values are still continuing to fall.

UK stores

The depression in UK food retailing shares this year has been matched only by that of the drug companies. There are short term explanations for this - food retailers are defensive companies in a market obsessed by potential recovery shares. Low inflation hurts food retailers because they are much more dependent than other stores on rising prices for growth. Yet the fall is too great to be fully explained by such factors. Food shares now stand at a 55 year low compared with 1938, a level which was only approached during the price battles of the late 1970s.

What the chart really shows is that investors are anticipating a disaster in food retailing. There is a fear that a combination of competition from discount chains and consumer resistance to high margins may spark a price war between the superstore operators, which would cut their selling margins and undermine the value of their extremely expensive sites.

Unfortunately, superstores cannot compete fully against the discounters on price because cutting prices that far would eliminate profits. Their strategic options are thus limited, and they are trying to preserve their margins with other marketing tricks. But a price war cannot be ruled out if superstore sales volumes start to sag and cash flows weaken. The current sector valuation is a balance between the probability of a mild rerating if these fears evaporate and the outside possibility of a collapse in margins, profits and asset values. That outside chance may be enough to keep buyers at bay, unless the news improves.

Israel accepts direct talks with PLO on Mideast peace

By David Horowitz in Jerusalem

ISRAEL will for the first time hold face-to-face talks with negotiators openly representing the Palestine Liberation Organisation when the next round of the Middle East peace process opens in Washington, probably at the end of this month.

The Israeli government's resistance to direct talks with the PLO finally crumbled yesterday. Members of Mr Yitzhak Rabin's cabinet confirmed that Israel would continue the negotiations despite the decision by PLO leaders in Tunis to appoint seven members of the Palestinian peace talks delegation to an official PLO leadership committee.

All parties to the talks have been invited by the US and Russia, the joint sponsors, to resume talks on August 30, but the Arab response will not be known until later this month.

Mr Shimon Peres, Israel's foreign minister, claimed yesterday that the appointments of key Palestinian negotiators - including

Mr Faisal Hussein, Mrs Hanan Ashrawi and Mr Haider Abdel Shafi - to the PLO committee was of little significance. "For us, it doesn't matter," he said. "It's the same members of the delegation, the same names, the same people, the same procedure."

But Israel's decision not to protest about the appointments and to resume talks with Palestinians now formally part of the PLO leadership constitutes a marked change in policy.

The previous Israeli government, led by the hardline Likud party, agreed to talk directly only to Palestinians who had no formal PLO role.

"We tried to build a wall between Palestinian residents of the territories and PLO Tunis [where the organisation is based]," Mr Yitzhak Shamir, the former prime minister, recalled yesterday. "This government has destroyed the wall."

Earlier this week, when Mr Hussein, Mrs Ashrawi and a third Palestinian negotiator, Mr Saeb Erakat, threatened to resign

from the peace delegation in protest at their limited influence over policy positions, Mr Rabin warned Mr Yassir Arafat, the PLO leader, not to consider replacing them with PLO figures.

By keeping the delegation intact but giving its members official PLO status, Mr Arafat appears to have outmanoeuvred Mr Rabin, who would clearly rather swallow the change and play down its importance than risk torpedoing the direct talks.

Most Israelis probably share Mr Shamir's belief, expressed yesterday, that the PLO remains "a terrorist organisation" bent on Israel's destruction.

But they have also witnessed the rise of the radical Hamas Islamic fundamentalist movement in the occupied territories. Many have realised, along with Mr Rabin, that it might be better to sit down now with PLO leaders pressing for a state alongside Israel than risk the PLO's replacement by Hamas leaders openly pledged to wiping Israel off the map.

NatWest considers selling off mortgages

Continued from Page 1

ers not being able to meet monthly payments. He said the bank had not yet decided when or in what form to securitise mortgages. It was writing to customers but as a courtesy, as they had already signed clauses authorising securitisation when they took out their loan.

Although some £10bn of mortgage-backed securities have been

issued in the UK since 1987, the biggest lenders have largely avoided it. Some building societies are working on the technique. NatWest's mortgage lending has risen by £1.2bn to £10.2bn over the past year.

Barclays is known to be working on securitising both US and UK mortgages through its BZW securities arm. Midland has also altered the terms of mortgages to allow it to securitise them, but

said yesterday that it had no plans to do so. Mr Ferrett said NatWest was willing to securitise fixed and variable rate mortgages. However, it had chosen a cross-section of customers whose mortgages were easily converted because they were simple.

In order to securitise the mortgages, NatWest must set up an independent company which could buy the mortgage portfolio and then issue securities.

EU WORLD WEATHER

Europe today

A high pressure area over Poland will cause a weak southerly air flow over the north-western part of the Continent. Temperatures will rise to 25C-30C in central and eastern France, the Alps, the Benelux countries and much of Germany. At the same time, thundery disturbances are likely to develop over France and will move north-east late in the day. It will continue warm and sunny around the Mediterranean.

Along the Aegean coast, an increasing northerly wind will bring a refreshing change. Scandinavia will also benefit from the high over Poland. It will be mainly sunny with moderate temperatures. Rain and showers along with locally windy conditions can be expected in northern parts due to a depression over Finland that will move east.

Five-day forecast

Unsettled weather will shift mainly to Scandinavia, while it will continue rather warm with scattered thundery showers during the same time over the main part of the Continent. A depression in the Biscay will cause more unsettled weather after the weekend in northern Spain and western France. The UK will become sunnier and warmer.

TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	34	24
Accra	31	24
Algiers	34	24
Amsterdam	22	14
Athens	32	24
B. Aires	22	14
Bombay	32	24
Buenos Aires	22	14
Cairo	32	24
Cape Town	31	24

Belast	19	showers
Belfast	19	showers
Berlin	27	fair
Bernada	27	fair
Bermuda	31	fair
Bogota	19	fair
Bombay	31	rain
Bordeaux	25	thund
Buenos	25	thund
Budapest	31	fair
C. Jagan	20	showers
Cairo	34	sun
Cape Town	18	sun

Catracas	29	fair
Chicago	29	sun
Cologne	28	thund
D. Salem	28	showers
Dakar	31	fair
Dallas	31	fair
Darwin	32	sun
Delft	35	cloudy
Dubai	40	sun
Dublin	19	showers
Dubrovnik	32	sun
Edinburgh	15	cloudy

Faro	27	sun
Frankfurt	28	thund
Geneva	28	cloudy
Glasgow	17	cloudy
Hamburg	31	fair
Helsinki	31	showers
Hong Kong	31	showers
Honolulu	31	fair
Ile of Man	17	cloudy
Istanbul	22	windy
Jersey	22	fair
Karachi	33	fair
Khartoum	34	sun
La Paz	22	sun
Las Palmas	28	sun
London	22	fair
Luxembourg	28	thund
Lyon	32	fair
Madrid	33	sun

Majorca	32	sun
Malta	30	sun
Manchester	30	fair
Maria	30	sun
Melbourne	24	rain
Mexico City	23	showers
Miami	33	thund
Montreal	17	fair
Moscow	22	rain
Munich	22	fair
Nairobi	32	sun
Naples	24	fair
Nassau	33	fair
New York	28	sun
Nice	28	sun
Nicosia	35	sun
Oslo	20	fair
Paris	28	thund
Perth	32	fair
Prague	28	fair
Rangoon	29	cloudy

Reykjavik	13	rain
Rio	24	sun
Riyadh	42	sun
Rome	30	sun
S. Francisco	20	fair
Seoul	29	cloudy
Singapore	32	showers
Stockholm	21	fair
Strasbourg	33	fair
Sydney	22	cloudy
Taipei	22	sun
Tokyo	24	rain
Toronto	17	fair
Tunis	34	sun
Vancouver	21	showers
Venice	30	sun
Vladivostok	29	showers
Warsaw	24	fair
Washington	12	fair
Wellington	12	fair
Winnipeg	22	fair
Zurich	30	fair

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Weekend FT

SECTION II

Weekend August 14/August 15 1993

By coal barge through Europe's heart

WHEN Jan Veldman, somewhere on the Rhine River between Dusseldorf and Cologne, told me he was hauling 1.5m kilos of coal, I began to realise I was slightly out of my league. We were talking big boat here.

I could not actually see his barge, the *Vecht*, I was sitting in Bonn, watching fat drops of rain hit car roofs outside and chatting to Jan over a scratchy radio-telephone link. Nor, in my mind's eye, could I visualise that much coal. But the figure helped to put things in perspective.

I have a 17-metre narrowboat on London's Regent's canal and, as English canal boats go, consider it large. I find, though, that just a couple of bags of heating coal, 25 kilos or so, cut down considerably on my living space in winter - I have to pile it under my galley table. But where on any canal boat, for heaven's sake, can you pile 60,000 times that amount, 1.5m kilos of the stuff, without it getting seriously underfoot? I was interested to see what kind of craft the *Vecht* might be.

I did not hold my breath. The *Vecht* may be capacious, but no one has yet built a coal barge for speed. The trip from Dusseldorf to Bonn by car takes just one hour. Pushing a heavy cargo upstream at a stately rate of 9kph - a brisk walking pace - the *Vecht* took 12 times as long. Slow boats would have been in China sooner.

But Jan Veldman is nothing if not punctual. A few minutes before noon the next day I was standing under quayside cranes at Grau Rheindorf, Bonn's river port, where we had agreed on a mid-day rendezvous. The cranes dripped, the sky drizzled. There was not a great deal to see. Some 300m across the river I could make out the trees and flat green fields of the far bank. Gurgling and sighing as it surged past the quay, the Rhine emerged upstream from a dull grey mist, only to disappear back into it further down.

At precisely noon the square bows of a hull loomed into view and moved slowly up-river alongside the quay. The bow of the boat passed me, a Montega estate wagon parked on its foredeck. The low, narrow length of the barge came on, and on - and kept on coming, a seemingly endless succession of small hills of piled coal sliding by me. I tumbled aboard, the *Vecht* swung back into the oncoming current, and we were away.

It seemed a long stroll to the raised wheelhouse and living quarters on the stern of the barge. I now understood why Jan did not have to clutter up his galley the way I did mine. The *Vecht* is just a shade under the length of a full-size soccer



Nicholas Woodsworth took a slow boat up the Rhine and watched the castles, vineyards and great industries roll past

pitch. You can put a lot of coal into a floating steel bin 4m deep, 10m wide and 108m long.

I had expected the *Vecht* to be a battered old vessel covered in grime and black dust. Jan Veldman would be cheery enough, I thought, a ham-fisted, hard-living barger, a rough-polished truck driver of the waterways. Neither assumption was anywhere near the truth.

With the general proportions of a pencil, the *Vecht* could not be called graceful. But she was as well-kept and efficiently run as a Cunard liner. She was almost as clean as a Cunard liner. My shoes came off at the door to the wheelhouse. Like everyone on board I used a pair of rubber clogs outdoors and exchanged them for bedroom slippers in the spotless interior.

On modest river trips of my own

through the English countryside I find that even the simplest operation requires many hands to cope with bow lines, stern lines, lock gates, boat hooks and tiller. How many crew were needed for this levathan, I wondered. Eight? Ten? But no, here on the world's busiest inland waterway, everything from 200m locks to blind navigation in thick fog was handled by just three people.

The difference is that I am a clumsy amateur and these were life-long professionals. None of them, however, remotely resembled my vision of the picaresque barger. Sender Bosch, the *Vecht*'s deckhand, looked like a 17-year-old student, which is what he is - anytime he is not hosing down decks, sandpapering or painting, he is studying for the series of tough exams that will

eventually allow him to become a Rhine barge captain.

His skipper, Jan Veldman, was indeed cheerful, but entirely failed in the tough-guy category. Behind gold-rimmed glasses his face was mobile and expressive. His hands were well-manicured, his trousers neatly pressed. He looked like an academic on holiday.

The third member of the crew looked even less swash-buckling. Wearing a dark skirt and flowered blouse, her bespectacled eyes focused on her sewing. Mrs Veldman cut a comfortably maternal figure. She should, she is the mother of six children. Like most barges on the Rhine, where 16-hour days discourage overtime wages and the growth of company fleets, the *Vecht* is a mom-and-pop family operation.

Seen from mid-stream of the Rhine, Germany is a much prettier country than from the autobahn or the railway. As we slowly beat our way upriver past Bad Godesburg and Koningswinter, Remagen and Linz, there were all the signs of a traditional rural past - fields and cows, stretches of forest, old towns with half-timbered buildings and tall church spires.

But there was no getting away from the fact that we were in the heart of the European powerhouse, a highly industrialised country in the middle of a crowded continent. If the slumbering castles and vineyards of the Rhine strike a note of Gothic romantic tradition, the storage tanks and cooling towers, industrial parks, container terminals, electricity pylons and atomic energy plants that lie along the

Rhine's banks indicate a more vibrant, contemporary industrial tradition.

I did not have to look as far as the shore to see that the Rhine is a highly developed axis. The river itself throbs with the sound of waterborne goods on the move. Over the next two days there was rarely a moment when the *Vecht* was alone on the river. There were times when I could sweep its surface with binoculars and see some of the river's more leisurely activities - a week-ending sailboat, for example, a cabin cruiser, a kayak, or one of the brightly-painted tour-boats of the Köln-Düsseldorfer Line.

More usually, the narrow lanes between the river's bobbing red and green channel markers were packed with the work-horses of the river getting on with their daily business.

There are more than 5,000 vessels registered for use on the Rhine. Over a rainy grey afternoon I watched the progress of scores of vessels - boats like the *Korsika*, a German barge carrying a load of scrap metal; the *Barco*, from Zwijndrecht in the Netherlands, with three decks jammed with Ford and Nissan cars; the *Furka*, a container-carrier from Basel, in Switzerland; the *Zenn*, a fuel tanker from Würzburg so heavily laden that water was lapping her gunnels. And, like the *Vecht* herself, heading south from the Victoria Augusta mine of the Ruhr valley to the power-generating plant of the vast BASF chemical works near Mannheim, there were innumerable coal barges.

For Jan Veldman, this is the only life he knows or cares for. He comes from a line of Dutch bargemen who have worked the rivers and canals of the Netherlands and Germany uninterruptedly for 400 years. In the 17th century his ancestors were transporting peat by horse-drawn barge from the lowlands of the eastern Netherlands to heat homes in Leyden, Amsterdam and Rotterdam. By the 19th century they had changed to steam and moved on to the Rhine, carrying coal and iron ore, bricks and raw materials for the supply of the Ruhr's industrial revolution.

Jan was born on his father's barge, began riverwork as a deck-hand at 14, married a barge-skipper's daughter and took over his father's boat at 23. Since 1982 he has made 30 to 40 long-haul trips on the Rhine every year. He can identify hundreds of river boats by sight and knows the Rhine with his eyes closed. Now 45, he hopes that his own son, Johannes, will take over when he retires.

Jan is not a carefree river gypsy, but a man of strong Calvinist principle who believes in family, hard work and individual initiative. What is it, I asked as we sat in a wheelhouse full of complex engine, steering, communication and radar equipment, that keeps him incessantly moving up and down the Rhine? Like most men whose survival depends solely on their own efforts, it is the life of independence that he values.

"I am the director of a company," he told me. "It is only a little company, this boat, but I am its director. I make my own choices and work in my own way. I like the variety of my job. I would no more want to sit behind a ship's wheel all day than I would want to sit behind an office desk all day. I am a mechanic, a navigator, a maintenance man, a businessman." He looked out at the passing scene and smiled. "My life and my job are one thing, but never the same. This is a

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The Long View / Barry Riley

The tipster's torment



He had a new challenge: he had been invited to take part in one of the round-table investment sessions featured by *Barron's*, the American financial weekly. "Congratulations," I said. "This is your chance to become one of the stars of the US financial media. Peter Lynch and Jim Rogers will eat their hearts out."

Steve frowned. "This is no ego trip," he said. "My presentation must be carefully positioned. My regular professional clients are not going to pay a small fortune in soft dollars for my opinions if they think they can read it all for \$2.50, even if that is hard cash. As for my firm, the idea is to boost the sales of our mutual funds arm, not to give away our institutional advice. That hems me in pretty tight."

I observed that investment tipsters are much thinner on the ground in the British media than in the US. That might partly reflect the meagre interest in financial matters in the UK, but perhaps also a native cynicism about motivation. After all, Jim Slater in the *Independent* had been sniped at from all around.

"Sure, from my viewpoint the whole theoretical basis of stock market opinions is complex," said Steve, in his usual model-building manner. "On the conscious plane, practitioners are going to hold something back, and may even deliberately mislead. Subconsciously, too, they may be under pressure to talk their book, even when they don't realise it, which is why investor opinion surveys have to be treated so carefully. Ask yourself, why would a professional money manager recite a list of his favourite stocks into a newspaper's tape recorder? The politest thing you

can say is that his first loyalty must be to his clients. Therefore you can bet that all his buying programmes have been completed, certainly in the illiquid stocks.

"He would be crazy to spoil the market in his real hot stocks, the ones he is actually buying. So basically he is trying to massage up the price of his major holdings. It's a small step from there to say that he might be attempting to create some counter-party demand into which he can offload."

Hence, I remarked, the old stock market saying that "A tip is a tap." At least, he was under rather less pressure in that his main focus was on markets rather than individual stocks.

"Sure, a mention in a press article isn't going to shift the Tokyo market," said Steve, "but people normally want an individual recommendation or two to focus on. Besides, these days we seem to be promoting emerging markets where there are typically only three or four stocks of any size, one brewery, the president's family construction company and two banks busy laundering the cocaine money."

But allocations to emerging markets were small, I said. Meanwhile there were some quite strong views among professional investors about major markets - for example, that Wall Street was expensive.

"Certainly there are some strong views emerging from the surveys right now," said Steve. "I make a special study of these. I was just this morning looking at a local poll in our London office. Godwits' *Ciscope*, which collates the opinions of leading UK money management houses. It has been highly bullish all year about equities but weak to neutral about gilts. Yet gilts have outperformed. So why have the experts all been wrong?"

"The point is," he continued, "such opinion polls must be viewed in a dynamic rather than a static way. Look at it like this: most UK pension funds have 60 per cent of their portfolios in UK equities. The managers have to

believe the UK equity market is going up, otherwise they logically would be big sellers. At the same time, the exposure to US equities is only 5 per cent, half the neutral weighting. They give Wall Street the thumbs down. But although such surveys claim to tell us about the future, they really only tell us about the past."

"In fact, the more optimistic the opinion the more dangerous the market risks may have become. When the last bear has turned bullish the market is at its peak. That's how it works with US mutual fund inflows, one of the most famous cyclical indicators. Record inflows tell you that the market is near a high."

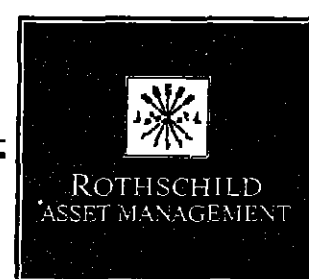
"At the other end of the cycle, a mutual fund selling panic tells you that there will soon be real value around. It's when strong opinions change that the real action can happen. Recently, of course, US mutual funds have been selling in unbelievable volume."

So what is Steve going to tell US retail investors?

"Markets are high," he said. "This is not the time to be chasing value to the ends of the earth and winding up in the Colombian stock market. Funnily enough, although it's not really my scene as a strategist, it's a time for stockpickers. Overall market levels may be moving sideways or marginally higher, but just look at the individual stock price movements. Investors put a huge premium on recovery and growth, then withdraw when the earnings numbers disappoint. There are some great trading opportunities, and if I were running portfolios, imagine the advantage of being able to create my own exits."

So would he really be setting out his favourite stocks? Steve shifted awkwardly in his seat.

"Let's say that I have my own agenda. Look at it this way, my firm pays me a lot of money, but readers of newspapers expect something for nothing. Loyalty comes first. If I mention a few stocks, don't be at all surprised if entirely coincidentally there turn out to be some equity underwritings in the next few weeks."



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AFT206

MARKETS

London

The logic behind the euphoria

By Maggie Urry

IT HAS been a week of euphoria in the stock market. The Footsie passed the 3,000 mark with a 34.5 point surge on Wednesday, and managed to keep above that level for the rest of the week. On four days out of five the index closed at a new high. The gilt run has also continued.

A wobble on Friday, taking the index below 3,000 again, was reversed before the close with the Footsie eventually rising 1 point on the day to close at 3010.1. This suggests a firm underpinning for the market, even at these dizzy heights.

The motivation for the market has been the prospect of yet lower UK interest rates, and a hastened recovery in the economies of continental Europe following the near break down of the ERM, to which over 60 per cent of UK exports are sent.

That has underpinned corporate earnings forecasts, and for the first time in some years brokers are expecting to see the next results reporting ses-

son as a time to raise rather than lower their estimates for the following year.

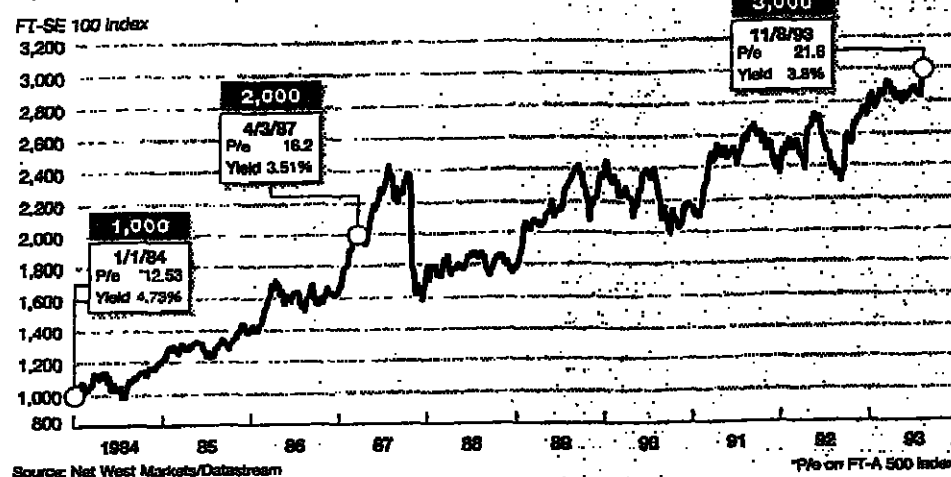
The most bullish of the leading houses, Nomura Research Institute, which has a forecast of 3,500 for the Footsie by the year end, argues that this represents a 1984 p/e of "only" 15.3, which it regards as reasonable at this stage of the economic cycle.

There is nothing magic about 1,000 steps in the market. But as the chart shows, each time the Footsie has gone past such a milestone it has been at a higher and higher p/e, showing that earnings are not running up with the index. The break through 2,000 came towards the end of an economic cycle, when earnings growth was slowing.

The yield on the market, however, is higher now than it was at the 2,000 level, as dividends have risen as a proportion of earnings.

Economic news has been somewhat mixed this week. While consumer borrowing has continued to rise - suggesting

Footsie milestones



growing degree of confidence - other indicators have been less good.

Unemployment rose in July, for the first time since January. After months when people could not understand why it was falling, a seasonally-adjusted rise of just 200 should not be too much of a worry, and especially as it is a difficult month to adjust for school and college leavers.

Manufacturing output fell quite sharply in June, down 2.1 per cent, more than reversing May's rise of 1.8 per cent. However, in the three months to June output rose 1.4 per cent on the previous three months, and 3.1 per cent over the same three months last year, so the trend is still in the right direction.

What is a touch worrying is the regional survey from the CBI this week, which suggested recovery was falter-

ing in a number of regions, generally those which represent the country's manufacturing heartland.

This has been borne out by some UK companies. Johnson & Firth Brown, the Manchester-based engineers, warned on Wednesday that its profits would fall from its first half to the second because order books were actually lower than they were a few months ago. J&F had been expecting orders to revive.

Meanwhile, BOC Group, the gases company, warned on Tuesday, that the economic recovery in the rest of the world was not coming through as hoped. BOC's news that its profits would be down in the year to September, on Tuesday, may have single-handedly delayed the Footsie's rise through 3,000 for a day.

BOC said that recovery in the US had slowed, in Australia had stalled, and that in the UK was having little effect on its business. Since around half the profits of Footsie companies are made abroad, this is a serious concern.

It also explains why second line stocks have been outperforming the top ones lately. These smaller companies generally have a much lower exposure to the international economy.

News from the inflation front was generally good, though, and this is one of the main supports for the gilt market, and to equities too.

The Bank of England's quarterly report on inflation suggested that it could remain below the 4 per cent target for the next two years, which is about the furthest horizon the markets can see.

Given that the Bank has to

Serious Money

No time to start a wild bull chase

By Philip Coggan, personal finance editor

THE FT-SE 100 index surged through 3,000 this week, prompting reports on the Nine O'Clock News and talk of a prolonged bull market with the index heading swiftly for 3,500.

Regular readers will know that this column believes private investors have an unfortunate tendency to buy when the market is high and sell when it is low. So, is this one of the occasions when the wise private investor should head for the exits?

The first point is that we should not get too excited when share indices hit records. Over time, share prices have a tendency to rise, partly because of economic growth and partly because of inflation. A new high does not necessarily herald a fall.

The bull argument at the moment is interest rate related. Now that European countries have been freed from the constraints of the exchange rate mechanism, they can lower their interest rates. This will stimulate their economies and provide a boost to British exports. It will also allow the UK to cut its interest rates without worrying about a plunge in the pound. The result should be increased growth at home.

Furthermore, this growth should occur in a period when inflation is not a problem. That allows rates to stay low, both on short-term rates and long-term bonds. So, with returns on the main alternative investments - cash and bonds - both low, investors naturally are eager to put money into the stock market. Hence, bulls argue, prices should keep rising.

Is there any need for caution? Two of the most fundamental measures of share price valuation are the price-earnings ratio and the dividend yield. At present, both of these make shares look expensive by historical standards.

The p/e ratio is the relation-

ship between the share price and the proportion of a company's profits attributable to an individual share. If its price is 100p and the most recently announced earnings per share were 10p, then the p/e would be 10. An investor would have to pay the equivalent of 10 years' profits to buy that share.

Broadly speaking, the higher the p/e ratio, the faster investors expect profits to grow. If they are set to double a share trading on an historic p/e of 20 is trading only on a prospective p/e of 10.

Taking recently to US fund manager Michael O'Higgins, whose high-yield, low-price theory of stock picking I have described many times, I was struck by his remark that "people spend too much time looking at the outlook for corporate earnings, and not enough at the p/e ratio."

When the p/e is high, the market is at its most optimistic about prospects for corporate earnings (and is likely to be disappointed); when the p/e is low, the market is at its most pessimistic (and likely to be pleasantly surprised).

I decided to test this by looking at the p/e on the FT-SE 100 index since 1985 (this happens to be the benchmark for which Datastream has the longest series of information). The method was simple: compare the p/e at the start of the year with the p/e at the end of the year.

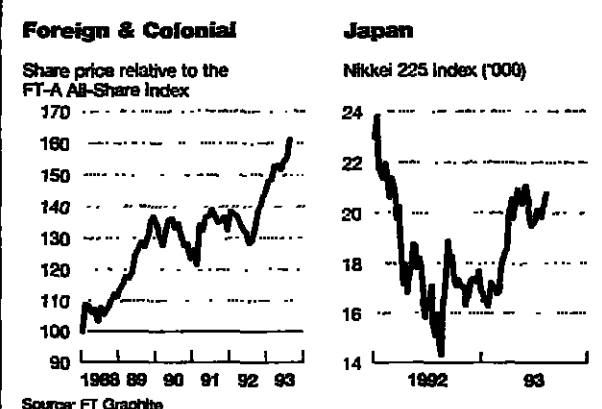
Over the 28 years from 1985 to 1993, the p/e on January 1 varied between 4.07 in 1975 and 22.49 in 1989. I divided the 28 years in four batches, ranging from the seven lowest to the seven highest, and then compared average stock market returns for the four groups.

The results were not a smooth progression but were still fairly conclusive. In the seven years when the p/e was at its lowest, the growth of the

HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	YTD	on week	High	Low	
FT-SE 100 Index	3010.1	+40.3	3010.1	2737.6	Hopes for early base rate cut
FT-SE Mid 250 Index	3455.5	+62.7	3455.5	2876.3	Private investor demand
BOC	634	-8	770	633	Profits warning
Booker	443	+25	455	357	Yield attraction/Glenworth positive
British Gas	332 1/2	+24 1/2	332 1/2	278	Broker buy notes/memo news imminent
Domino Printing	437	+41	620	395	Warburg Securities "buy" note
Enterprise Oil	429	-22	521	397	Finance Director resigns
Grand Metropolitan	447	+28	480	383	Hopes of Chef & Brewer sale
Kingfisher	669	+33	669	498	French rate cuts/outstore stores
Marley	165	+20	165	93	Figs. due Aug 18/broker buy rec.
Northumbrian Water	616	+28	662	547	High yield
Owners Abroad	79 1/2	+13 1/2	148	59	New chairman appointed
Redland	554	+28	580	402	Broker upgrades profits forecast
Standard Chartered	967	+83	981	576	Good earnings/div. outlook
Wilson Bowden	439	+22	461	371	James Capel buy recommendation

AT A GLANCE



F&C optimistic as net assets rise 8.6%

Foreign & Colonial, the UK's largest investment trust, reported this week that net assets rose 8.6 per cent in the first half of the year, compared with a 5 per cent rise in the All-Share. The trust offers a minimum dividend from 1.12p to 1.15p and forecast a final dividend of 2.3p. F&C was generally optimistic about the outlook for most stock markets but warned that "Unless President Clinton can demonstrate soon that he can revive the economy, Wall Street may begin to falter." The trust's shares are now trading close to asset value.

Tokyo market welcomes cabinet

A new Japanese cabinet was announced this week by Prime Minister Hosokawa. Share prices rose steadily over the week with the Nikkei 225 ending Friday's trading at 20,745, compared with 20,357 at Monday's opening. Meanwhile, the yen continued its seemingly inexorable rise, reaching a post-war high of ¥103/5 on Thursday and had risen further to ¥102.5/5 by Friday lunchtime.

Banks taken to task

The voluntary Code of Banking Practice, introduced last year and currently under review, has been too limited, too flawed, and banks have been too slow to implement it, the Consumers' Association said.

In a submission to the review committee, it said banks had adopted a "patronising approach" to interpreting and applying the code, particularly regarding services it did not specifically deal with, such as the administration of wills. New areas which should be covered by the code included advance notification of charges and interest, compensation for home banking customers affected by fraud, and informing customers if their savings accounts were superseded by new accounts paying higher interest rates. The association warned that if standards of consumer protection did not improve, a statutory alternative to the code would become essential.

University BES launch

Another FT-SE-linked Business Expansion Scheme has been launched, this time by sponsors Hodgson Martin. The Balliol and Magdalen Companies seek to raise £20m through 40 BES companies to finance accommodation for students and dons at the Oxford colleges. Investors have a choice of returns. They can buy shares in the Gilt-Edged Companies offering 12 1/2p after five years for every 100p invested (equating to an annual return of 14.1 per cent to a higher rate taxpayer after five years) or in the FT-SE Companies. The latter offers a minimum return of 60p plus a variable return based on a return of 1.5p for every 1 per cent rise in the FT-SE 100 index. There are automatic "lock-ins" at rises of 25 per cent and 50 per cent of the index. Hodgson Martin says that if the index rises by 50 per cent over the investment period, the annual return to a higher-rate taxpayer will be 17.3 per cent compound. Minimum investment is £2,000. More BES on Page V

Smaller companies on the rise

While the FT-SE 100 index was setting records this week, small company shares were also doing well. The Home Government Small Companies Index (capital gains version) rose 2.5 per cent from 1511.33 to 1548.91 over the seven days to August 12, and is now 27.6 per cent higher than its level at the start of the year.

Correction

In the text associated with last week's Annuities table, the word "not" was accidentally omitted from a sentence. Barry Burrows' quote should have read: "In the short term, the prospects for annuities are NOT good."

Wall Street

Waiting for the taxman to burst the bubble

THE DAY after Congress approved President Clinton's budget and its hefty tax increases for the rich, a big US mutual fund group placed full page advertisements in newspapers offering investors free advice on how to shift their money into tax-exempt funds.

In the first two days, hardly anyone took up the offer. The rich, it seems, were either: a) perfectly happy to hand over more of their wealth to the government to help reduce the deficit; b) casually indifferent to the impact of higher taxes; or, c) too shell-shocked by the budget's implications to react.

Of the three explanations, c) is probably nearest the truth. Under the Clinton budget, the top marginal tax rate for individuals making more than \$115,000 a year in taxable income, and couples making more than \$140,000, rises from 31 per cent to 36 per cent. This is a big increase in anyone's book, and one that is retroactive (backdated to January 1 this year) to boot.

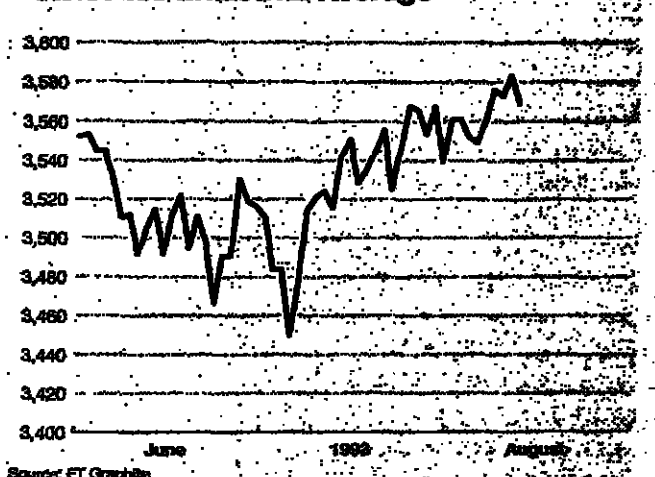
History shows that spending and investment behaviour inevitably changes to fit a new tax environment, and no one

expects anything different this time around. That there has been little evidence so far of individuals rushing to shelter their income from higher taxes suggests that the rich (a category which, as defined by the Clinton administration, is broader than one might think) have not yet come to terms with the fact that they are going to be less rich from now on.

Stock market investors seem to share this unwillingness to face the reality of the Clinton budget. How else to explain why, week after week, share prices have been following bond prices into record territory, yet one of the main driving forces behind surging bond prices has been the expectation that the President's deficit-reduction budget will hinder, not help, the US economy?

In more normal times, the judgment of bond market economists that government policies will retard economic growth, and presumably corporate earnings growth as well, would depress equity market sentiment and show up in lower share prices. Yet, stocks continue on their record-breaking course, appar-

Dow Jones Industrial Average



ently untroubled by the bond market's gloomy prognosis of the economic outlook. This week alone the Dow Jones Industrial Average set a new record closing high.

Stock markets are performing so well because investors are more impressed by record low interest rates - the yield on the benchmark 30-year bond fell below 6.4 per cent this week for the first time

ever - than they are worried about the immediate outlook for the economy. As long as low interest rates keep diverting funds out of low-yielding short-term assets and into stocks, and as long as low interest rates allow companies to raise fresh capital cheaply, investors will keep buying equities.

The problem with this situation is that the markets are

becoming increasingly reliant upon favourable interest rates and expectations of improving earnings. With share prices so high by historical standards, stocks in the Standard & Poor's 500 index are trading at 23 times earnings - an upturn in interest rates, or a failure of corporate earnings to meet expectations (or both), could trigger a dramatic sell-off.

Admittedly, interest rates are unlikely to rise anytime soon. Only this week, the July advance and consumer price data showed that inflationary pressures in the economy remain extremely weak. Alan Greenspan, chairman of the Federal Reserve, may have warned recently that he is ready to tighten monetary policy at the first sign of overheating in the economy, but with inflation so low and output so sluggish, there seems little need for higher rates in the foreseeable future.

The market's hopes for corporate profitability, however, rest on shakier ground. Over the past year the majority of companies have reported stronger earnings more because they have been able to cut costs and boost productiv-

ity, and less because they have raised prices of their goods and services or enjoyed sharp growth in sales volume.

The improvements in productivity, however, may have peaked. This week the government reported that average non-farm output per hour dropped 2.5 per cent in the second quarter - the second straight three-month decline. More worryingly, it was the largest fall in hourly output for more than four years.

If productivity is really shrinking, then companies are going to have to look elsewhere for earnings growth. This means they will have to raise prices, or hope consumers start spending heavily again. In the current economic climate, raising prices would not make much sense, because that would only offset any benefits to be had from stronger consumer spending.

Patrick Harverson

Monday	3576.08	+ 15.65
Tuesday	3572.73	- 3.35
Wednesday	3583.95	+ 10.22
Thursday	3593.90	+ 10.95
Friday		

The Bottom Line

Storms clear for risk business

INSURANCE companies this week provided the City with profit figures for the first half indicating that the sector is on the way to recovery after its losses of the last three years.

General Accident and Royal Insurance - both of which have seen three years of heavy losses - reported their first profits since 1989, while Commercial Union, which clawed its way back into the black last year, posted further improvement on Wednesday.

Two other composites Guardian Royal Exchange and Sun Alliance, look set to continue the trend when they report in the next few weeks.

An improvement in trading conditions has helped the sector. John Chester, analyst at SG Warburg, said: "Everything which is key to the fortunes of insurers is positive. The companies are flying."

Costs have been cut; claims from theft, mortgage indemnity, subsidence and storm damage have declined or levelled off; and growth in the equity and bond markets is strengthening balance sheets.

Above all insurers are reap-

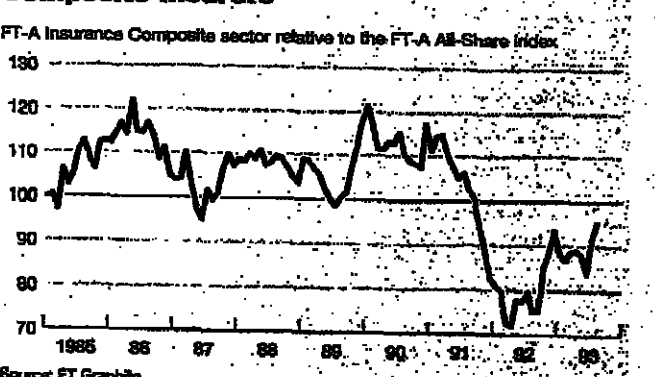
ing the benefits of premium rate increases in the home and motor insurance markets, with consumers paying increases of an average 50 per cent per year in 1991 and 1992.

Although market reaction this week was mixed - QA and CU both rose while Royal fell - each company's price has risen strongly in the past 18 months. The composite insurance index has outperformed the FT-A All Share Index by 36 per cent since March 1992.

Industry leaders believe that positive trading conditions will continue for the next few years. While rates for personal lines business are seen as adequate, commercial buyers still face increases. Both CU and Royal forecast this week that falling returns from investments were putting more pressure on them to underwrite business more profitably.

Following billions of pounds

Composite insurers



of losses from catastrophes in recent years, the cheap reinsurance capacity, which helped fuel rate competition in the 1980s, is no longer available.

Indeed European reinsurers are pressing direct insurers to increase rates, reducing the chance of competition.

Analysts such as David Hudson, of Credit Lyonnais Laing, believe trading conditions will translate into further upward movement in share prices.

"The industry has entered a period of profitability the likes of which we haven't seen for years," said Hudson, who is

expecting a further 10 per cent outperformance by insurance shares before the sector reaches its peak.

Shortages of capital will restrict competition in the UK, and UK insurers are also well placed to benefit from a strengthening in the US and European markets. "The UK has firmed up in isolation. We are now seeing the first signs of rates hardening in other direct markets," said Hudson, who said insurance companies may be able to obtain returns on capital of more than 20 per cent in the next few years.

Other analysts strike a more cautious note. Chester says the sector is standing on a historic high relative to net assets, with most of the share trading at a substantial premium.

"Long-term investors must remain cautious," says Chester, "since prices have rarely traded at premiums to NAVs

and when they have, poor share price performance has invariably followed."

Shares of some of the most successful US insurers have reached prices equivalent to 200 per cent of NAV, but Warburg believes there is little chance that UK insurers will follow suit.

Chester says that such UK companies have a proven record of achieving underwriting profits, while this is a relatively new phenomenon for UK companies, who have traditionally made money mainly from their investments.

In addition insurance companies may not be so immune to competition as they would like to believe. Some analysts stress the potential threats that rapidly growing low cost producers such as Direct Line and Churchill might still make in the market. Nor, following recent falls in yields, will dividends offer much support to prices. "We are about to peak," says Youssef Zia, analyst with Morgan Stanley. "Most of the recovery is already discounted."

Richard Lapper

FINANCE AND THE FAMILY

The pensions manager and the pudding...

Scheherazade Daneshkhu digests an ombudsman's report

PENSIONS can inflame passions. One complaint last year to the pensions ombudsman, who arbitrates in disputes, was from a woman who had written 14 times to the trustees of her late husband's scheme.

She was angry over the delay in paying her a widow's pension. But she had failed to tell the trustees he had died and had sent the letters to the wrong address, anyway. Happy to make amends, the pensions ombudsman invited her to the pensioners' Christmas party and arranged her transport - only to see his kindness repaid by the woman throwing her Christmas pudding and custard at him.

Hers was one of the 2,166 complaints received by Michael Platt, the pensions ombudsman, last year and described in his annual report for 1992, published this week. The scheme was established in 1981 to investigate complaints of injustice due to alleged maladministration by the trustees or managers of an occupational or personal pension scheme, and to arbitrate on disputes of fact or law with the trustees.

If you have a complaint, you should first try to sort it out with the trustees or managers of your pension scheme. Failing that, write to the Occupational Pensions Advisory Service. If OPAS cannot solve the problem, it will forward the complaint to

the pensions ombudsman. (The insurance ombudsman deals with complaints about personal pensions).

Last year, Platt referred almost 40 per cent of complaints received to OPAS, since they had not been sent there first. About 27 per cent fell outside his jurisdiction. In another 28 per cent, an investigation was not carried out because of lack of evidence of maladministration or because transfer values, while low, were correct. And some complaints fell outside the prescribed time limit.

For these reasons, Platt was able to resolve only 59 of the complaints he received last year - but the great majority of these went in favour of complainants. He found wholly in their favour in 37 cases, and in part in another 19 cases. This is an increase on the previous year - the first year of the scheme - when he upheld 22 cases wholly or in part in favour of the complainant out of the 47 investi-



Michael Platt... 2,166 complaints

gated. But Platt feels it is too soon to say if last year's result was just a short-term blip.

The average investigation took 10 months compared with seven months the previous year. Platt is unhappy about this and has set up a screening procedure to let people know within weeks if their case will be investigated.

Most complaints were about maladministration or transfer values, where scheme operators delayed either giving a transfer quotation or making the transfer payment.

In one case, a man left a private employer to join the public sector in March 1990. It was not until December that the insurance company managing his pension gave him a transfer quotation, despite his request for one in June.

His new employer said that the quotation would give a service credit of 18 years if it received the transfer by

April 1991. But it was not until June 1991 that the transfer was made and, under the rules of the new scheme, his service credit had to be re-calculated down to 13 years.

Platt decided that the insurance company, which was aware of the April deadline, had taken too long to make the transfer and directed it to pay an additional transfer value to the new scheme to provide the complainant with a service credit of 18 years. This amounted to £12,500. He also told it to pay compensation of £200.

The highest compensation pay-out instructed last year was £2,800, but most fell between £100-£250. The decisions of the ombudsman are not binding, however, and two schemes refused to pay compensation.

Platt said many complaints came from a failure by pension schemes to tell members clearly and simply about their rights. These included the options open to member when leaving an employer.

Members should be vigilant and should not allow themselves to be fobbed off with explanations they did not understand, he said. And they should keep all documents to make it easier to resolve disputes.

■ **OPAS 11 Belgrave Road, London SW1V 1RE; the pensions ombudsman shares the same address. The insurance ombudsman is at City Gate One, 135 Park Street, London SE1 9EA.**

Fixed interest investments

THE PERFORMANCE of fixed interest investments remains strong while still being combined with good yields, writes Scheherazade Daneshkhu.

■ **Pibs**
These are fixed interest-paying shares issued by building societies which have proved popular with income-seeking private investors because yields are higher than on gilts - a reflection of the correspondingly higher risk of holding a security from a society rather than the government.

Early investors in Pibs were rewarded with higher yields than are available now and have also enjoyed good capital performance. Yields have dropped as prices have risen since we published the table last month. Iain Lindsay, of stockbroker Hoare Govett, says: "The Pibs market has continued its very strong performance with prices rising by as much as 20 per cent in the past eight weeks."

"The Halifax has broken through a 9 per cent yield with all other stocks, with the exception of First National,

BEST PERFORMING 10 UK BOND FUNDS				
Fund	Size (£m)	Yield (%)	Perf*	
Abnvest Fixed Interest	11.4	8.3	58.4	
Astra Preference	19.3	8.3	56.9	
CU PPT Pref Share	65.3	8.3	50.8	
Legal & Gen Fixed Int	1.1	8.1	48.6	
Barclays Unicorn Fixed	158.0	8.0	48.4	
Farrington Gilt	13.3	8.3	48.1	
Fidelity Gilt & Fixed	26.0	7.0	47.5	
MIMstar Gilt & Fixed	2.8	7.9	47.1	
Garmore Preference	3.9	8.2	46.4	
Manulife Gilt & Fixed	33.6	7.0	46.8	
Sector average	19.0	6.4	40.7	

Source: Micropal, as at August 1. * Offer-to-buy with net income reinvested over 3 years. Funds without 3 year record are excluded.

now yielding under 10 per cent. The First National Pibs has continued to outperform its peers, with the extra demand causing its yield spread over the reference gilt to fall below 3 per cent."

■ **UK bond funds**
The three top-performing funds over the three years to August 1 (see table) are all invested heavily in preference shares. These pay a fixed dividend and rank ahead of ordinary shares in terms of divi-

dend payment and capital repayment in the event of a wind-up.

Abnvest, the top-performing trust over the period (according to Micropal), changed its name last year from Abnvest Gilt & Fixed Interest after it eschewed gilts in favour of high-yielding convertible preference shares. More than 70 per cent of the fund is invested in these, 12 per cent is in preference shares, and the rest in corporate bonds. "We are aiming

PERMANENT INTEREST BEARING SHARES						
Stock	Coupon (gross %)	Minimum (£)	Issue date	Issue price (pence)	Price* (pence)	Yield* (gross %)
Bradford & Bingley	13.00	10,000	30/9/91	100.20	142.25	9.14
Bradford & Bingley	11.63	10,000	29/6/92	100.13	127.75	9.10
Bristol & West	13.38	1,000	11/12/91	101.79	137.75	9.71
Bristol & West	13.38	1,000	31/10/91	100.34	137.75	9.71
Britannia (1st)	13.00	1,000	13/1/92	100.42	138.75	9.37
Britannia (2nd)	13.00	1,000	8/10/92	100.17	138.75	9.37
Chatterham & Gloucs	11.75	50,000	21/10/92	100.98	128.50	9.14
Coventry**	12.13	1,000	28/5/92	100.75	127.75	9.47
First National	11.75	10,000	4/5/93	100.25	115.00	10.28
Halifax	12.00	50,000	23/1/92	100.28	134.25	8.94
Leeds Permanent	13.63	50,000	3/6/91	100.00	147.00	9.27
Leeds & Holbeck	13.38	1,000	31/3/92	100.23	137.75	9.71
Newcastle	12.63	1,000	8/9/92	100.45	138.50	9.25
Newcastle	10.75	1,000	15/6/93	100.32	118.13	9.26
North of England	12.63	1,000	23/6/92	100.14	133.50	9.46
Skipton	12.86	1,000	27/2/92	100.48	131.00	9.83

Source: Hoare Govett. * Purchase price as at mid-morning August 12; excludes accrued interest. ** Includes stamp duty payable on Coventry only.

ing for a high yield from any fixed interest instrument," says Paul Reed, the manager. "So, we have built up high-yielding convertible stocks with an equity option and these have performed well."

He believes gilts are overpriced and has no plans to add

them to the portfolio at the moment. The fund has a 5.25 per cent initial charge and a 1 per cent annual, while the minimum investment is £500.

Garmore Fund Managers is cutting the annual management fee on its Preference Share unit trust from 1 to 0.5

per cent, and is offering a 2 per cent bonus allocation of units to those who invest before October 1; this will knock two percentage points off the initial charge of 5.25 per cent. The fund has a minimum investment of £1,000 and yields 8.2 per cent.

Directors' transactions Sellers continue to set the pace

IT MIGHT BE high summer, but directors are not taking a break from trading. Selling still outweighs buying but there has been increased activity on the board.

Christopher Broadbent, the managing director of BWD Securities, a stockbroking company, sold more than 10m shares at 97.2p. At the beginning of the year, they were trading around 40p; now, they are about 100p.

The sale by Johnson Wallace of shares in Willis Corroon, an insurance and re-insurance broker, was technically made during the company's closed period in anticipation of interim results. In a statement to the Stock Exchange, though, the company explained the

transaction had been carried out by trustees acting for Wallace. Despite instructions to keep the deal quiet, the sale was not made until recently.

Activity on the buying front ranges from industrial giants to companies with market capitalisations of just over £10m. Ross Group is involved in a variety of industrial services. After an up-beat AGM statement, six board members invested in shares at 26p. This marks the first dealing in the company by directors for several years. Sir Michael Edwards, the chairman of Charter Consolidated, has increased his holding by 20,000 shares.

Colin Rogers, the Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Amersham	Health	15,000	123	1
Berry Birk & Noble	InstB	10,000	17	1
Betterware	Star	127,000	318	1
BWD Securities	OnH	1,075,748	1,048	1
CRT Group	BuSe	550,000	517	1
European Motors	Auto	265,714	368	1
Forminter	Text	100,000	535	1
Granada Group	H&L	100,000	407	1
Hambro	Merc	270,000	1,007	2
Intercare	Health	16,000	25	2
Kleinwort Benson Gr	Merc	15,000	73	1
London Merchant	Prop	23,500	23	1
Markis & Spencer	Star	60,000	217	1
Menier Swain	Star	10,000	61	1
Monita Ashby	Med	44,000	83	1
Pelicon Group	H&L	495,000	299	1
Pram Leisure	H&L	50,000	65	1
Salveson Christian	BuSe	6,704	24	1
Tops Estates CULS	Prop	150,000	201	1
Unigroup	BuSe	50,000	54	1
Vodafone	Tele	84,000	406	1
Westair	Water	5,000	30	1
Willis Corroon	InstB	75,570	102	1
Yorkshire Water	Text	20,000	38	1
Yorkshire Water	Water	7,700	39	2

PURCHASES

Boots	Star	8,000	37	1
British Telecom	Tele	8,800	36	2
Brunner Int Trust	InstB	3,347	17	1
Charter Cons'dated	OnH	20,000	132	1
Cropper Clarke	n/a	125,000	108	1
El Oro Mining	n/a	2,500	1	1
Elbridge Pope A	Brew	25,700	31	2
English Nat Int Del	InstB	20,000	45	1
Excalibur	Misc	200,000	31	1
Hartstone	Misc	40,000	25	2
Radice	Star	150,000	68	1
Rank Organisation	H&L	3,000	22	1
Ross Group	Misc	92,000	24	6
St Ives	Pack	10,000	30	1
Yorkshire Chemicals	Chem	3,000	11	1

Value expressed in £000s. Companies must notify the Stock Exchange within 6 working days of a share transaction by a director. This list contains all transactions including the exercise of options (if 100% subsequently sold, with a value over £10,000). Information released by the Stock Exchange 2-6 August 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

The Week Ahead

THE UK's two biggest insurance brokers, Sedgwick and Willis Corroon are expected to post pre-tax profits roughly the same level as last year when they report interim results next week.

Sedgwick, reporting Tuesday, is expected to register pre-tax profits of between £28m to £32m (compared with £31.7m last year), while Willis, which reports on Thursday, is expected to make between £38m and £42m (£36.7m).

Difficulties in the US market, which remains competitive, are one of the main factors holding back further improvement.

Meanwhile Argos, the catalogue retailer, is expected to benefit from the elimination of losses from the ill-fated Cheshireman furniture business when it reports interim pre-tax profits of between £12m and £14m on Monday compared to £9.5m last time.

On Tuesday Hanson, the Anglo-US conglomerate, is expected to announce pre-tax profits of between £30m to £35m for the third quarter, compared with £27m in the comparative year-ago period. The group has been hit by the strike at Peabody Col in the US which has cost it about £30m. However, the stronger dollar is expected to benefit it by a similar amount since more than half its profits are generated in North America.

BICC, the cables and construction group, is expected to report a fall in half year profits, from £55m to around £53m on Wednesday and on Thursday Wickes, the DIY group, is expected to show a 35 per cent improvement to about £2.5m when it reports its interim pre-tax results.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share*	Market price**	Price before bid	Value of bid Offer*	Bidder
Deventish J.A. ,J	375/455	387	282	202.15	Greenalls
Flanagan's	325	305	255/1	78.40	OGG
Harrison Bros	5 1/2	5	5.30	Stratagems	
Seafordguard 1	270	338	185	58.30	Reedley
The Man Ship Cam	33.5/33	27/42	21/13	26.80	Peel Hodge
Watts Blake	420	435	381	87.33	Shelco

* All cash offers; value of bid based on 20% share. Offer capital not already held. † Unconditional. ‡ Price of bid based on remaining 20% of shares. ‡ Price in Pounds. ‡ Figures all quoted in British currency.

PRELIMINARY RESULTS

Company	Sector	Year	Pre-tax profit (£000)	Dividend per share (p)
Amalgamated	Health	May	825	(85) 14.8
British Thomson	InstB	Apr	1,200	(94) 0.98
Crown Bygones	H&L	Mar	423	(85) 15.3
de Morgan Group	Prop	Apr	258	(17) 10
English & Cheshireman	InstB	Jun	248	(88) 4.48
Group Lotus	Misc	Dec	36,800	(147) 10
Hickins	Star	Dec	54	(68)
Howard Holdings	C&C	Apr	205	(84) 14
Mid Wynd Int	InstB	Jun	789	(78) 7.87
Monie Invest	Corp	Apr	1,580	(5.87) 13.88
Norbarbines Fine	F&M	Mar	5,680	(158)
Pico Holdings	Star	Apr	3,200	(117) 25.5
Practical Int	InstB	May	1,380	(148) 4.79
Hammons	Text	Apr	1,260	(88) 14
Westminster Health	H&L	May	4,380	(5.70) 12.6
Wholesale Fringe	Star	Apr	2,820	(251) 8.83

INTERIM STATEMENTS

Company	Sector	Half-year	Pre-tax profit (£000)	Interim dividends per share (p)
Allied Irish Banks	Bank	June	138,000	(97.40) 4.1
Agrienne Metal	M&M	Jun	572	(119)
Balfour	H&L	Jun	2,200	(1) 1.8
Barrons Crisp	R&M	May	385	(181) 0.7
Begon Industries	PP&P	Jun	3,040	(8.00) 1.6
BGC Group	Chem	June	261,000	(250.00) 3.0
BPP Holdings	InstB	Jun	3,540	(2.50) 2.7
British Airways	Transport	Jun	18,000	(10.00) 10.0
Capital & Counties	n/a	Jun	12,800	(12.80) 1.8
CBS Group	B&L	Apr	1,500	(8.1) 1.4
CIA Group	Med	Jun	1,800	(1.80) 1.4
City Merchant High	InstB	Jun	942	(87) 9.7
Commercial Union	InstB	Jun	86,800	(8,100) 15.1
CSC Int Ltd	InstB	Jun	25	(6) 1.5
Edinburgh Oil & Gas	Oil	Jun	105	(6)
Foreign & Colonial	InstB	Jun	16,000	(16,000) 1.15
General Accident	InstB	Jun	128,000	(15,400) 9.7
Gowell & Co	InstB	June	22,800	(22,800) 1.5
Holiday Chemical	Chem	Jun	6,700	(8,000) 1.8
Huntingdon Int	H&L	June	3,350	(3,220) 1.8
Int Tel of Guyana	InstB	Jun	922	(85) 0.85
Johnson Group Chem	InstB	Jun	8,700	(7,440) 7.0
Kleinwort Overseas	InstB	Jun	2,500	(2,500) 1.5
Lilleshall	B&L	Jul	1,820	(2,000) 1.7
Manchester Ship	InstB	Jun	5,700	(7,000) 1.8
Metal Bulletin	InstB	Jun	871	(712) 2.8
Micro Focus	InstB	Jun	11,800	(11,800) 1.4
MTM	InstB	Jun	11,200	(28,000) 1.4
New Ireland Holdings	InstB	June	4,050	(2,500) 3.5
Newmarket Venture	InstB	Jun	70	(1,040) 1.6
Nichols (N) Vint	F&M	Jun	3,400	(3,330) 5.4
North Group	InstB	Jun	1,880	(1,840) 1.1
Pacific Group	InstB	June	3,300	(4,330) 1.6
Raydon Group	InstB	Jun	1,940	(1,500) 1.9
Royal Insurance	InstB	Jun	52,000	(78,000) 2.5
Schmidt & Schmidt	InstB	Jun	6,100	(1,700) 2.1
Shires High Yield	InstB	Jun	485	(444) 2.1
Shydey K&S	H&L	Apr	3	(108) 3.0
Smith & Nephew	InstB	Jun	82,000	(64,000) 1.8
Standard Chartered	Bank	Jun	168,000	(8,300) 7.5
Thomson Int'l Euro	n/a	Jun	-	(30.0) 30.0
Thomson Int'l Euro	n/a	Jun	98	(6) 6.0
Thomson Int'l Euro	n/a	Jun	20,100	(20,100) 6.0
Woodhead B&S	CSC	Apr	347	(1,800) 1.4
Woodhead B&S	n/a	Jun	88,000	(88,000)

FINANCE AND THE FAMILY

New challenges for BES investors

Scheherazade Daneshkhu surveys the options as the deadline for abolition draws nearer

THE BUSINESS expansion scheme is posing investors new challenges. Those spurred to put in money before the BES is abolished on December 31 have two main choices: a fixed price return or a variable rate linked to a rise in the FT-SE 100 index.

The annual amount that can be invested in a BES by one person is £40,000 but a married couple can put in £80,000. The money can be spread among a number of schemes. Tax relief is given at the investor's marginal rate so long as the shares are held for five years; thus, a higher-rate taxpayer pays with only £24,000 for a £40,000 investment.

There are a few trading company schemes around but the BES market is dominated by assured tenants. Most of these fund student accommodation. To solve the problem of finding buyers for shares after five years, sponsors often get the institution for which the money is being raised to commit itself to buying them.

What, though, if the institution does not have enough money for this? The buy-back promise is often reinforced through cash backing (setting aside a sum of money which will accrue with compound interest to reach the exit price after five years for all the shareholders) or a bank guarantee.

"Arranged exit" schemes now dominate the market. Of those still open, Nationwide Aegis offers an exit price of 117.5p for every 100p invested, which represents an annual return of 13.5 per cent to a higher-rate taxpayer. Anglia Residences and Homemaker do even better, with 123p; this equates to an annual return of 14 per cent.

(Investors should note that the annual returns depend on the sponsors sending out the BES 3 certificates, which enable investors to claim tax relief, in time for them to get their full rebate in that particular year. A delay will result in lower annual returns.)

The fixed returns on offer are historically high for the BES - but will they continue? Nick Percival, director of BEST Investment, believes that we are seeing prices peak at the moment, but it cannot last because of the fall in interest rates. Those purchasing five-year money for the cash-backed schemes will not be able to offer such high returns from now on.

Percival says the supply of schemes is also greater than



demand because of the requirement for BES companies to buy property with vacant possession. He expects demand to overtake supply after October when the universities will be out of the market (unless they

are funding new buildings, but this is when the building societies may enter to off-load their repossessed properties).

Of the arranged exit cash-backed schemes still open, David Harris -

of Chantrey Financial Services, an independent adviser - recommends Close Brothers' BESSA Oxford Fixed Return and Accumulus King's (Cambridge), sponsored by Terrace Hill Capital. "Both pay 120p

after five years, equating to an annual return of 13.6 per cent to a higher-rate taxpayer."

While both schemes are cash-backed fully, Harris warns: "It would be a mistake for people to think there is no risk at all, although I believe these schemes to be very low risk."

The other option is the innovative stock market-linked schemes, of which two are open: Close Brothers' BESSA Oxford and Matrix Securities Stock market BES. Since there is no capital gains tax to pay on the disposal of a BES company's shares, this is a way of investing in the stock market without facing a CGT bill. But this tax break exists already through a Pep, which gives investors greater flexibility since they are not constrained by a five-year timetable.

The lump sum investment through the BES is higher than for a Pep, but this might not be a good thing given the present stock market high. In any case, the annual maximum for a Pep investment of £9,000 (£8,000 in a general Pep and £2,000 in a single-company version)

builds up to a total investment of £45,000 over five years - with the further advantage of being staggered.

Still, the wealthy investor who already has a Pep and a fully-funded pension, and believes the stock market will rise enough over five years to give a good return, can consider these schemes. Best BES Advice, published by the Allenbridge group, says: "These deals are illiquid, in a market as volatile as equities, this is a serious drawback."

It prefers the Matrix Securities scheme which offers automatic "lock-ins" at 60 per cent and 90 per cent of FT-SE growth to protect gains against the danger of a fall in the market near the end of the five-year period. Matrix also guarantees a fixed return of 7.5p compared with 80p for Close Brothers' BESSA Oxford. But, as Allenbridge notes, the cost of the guarantee reduces the potential return.

The advantage of a BES Footsie-linked return, compared with a building society guaranteed equity bond, is the tax relief. Instead of costing the investor £1, it is costing him only 80p; hence the potential for higher returns.

Investors, however, should take independent financial advice and remember that it is rarely a good idea to make an investment solely on the grounds of tax efficiency.

Unit trusts / Schroder UK Enterprise

Aggressive approach pays

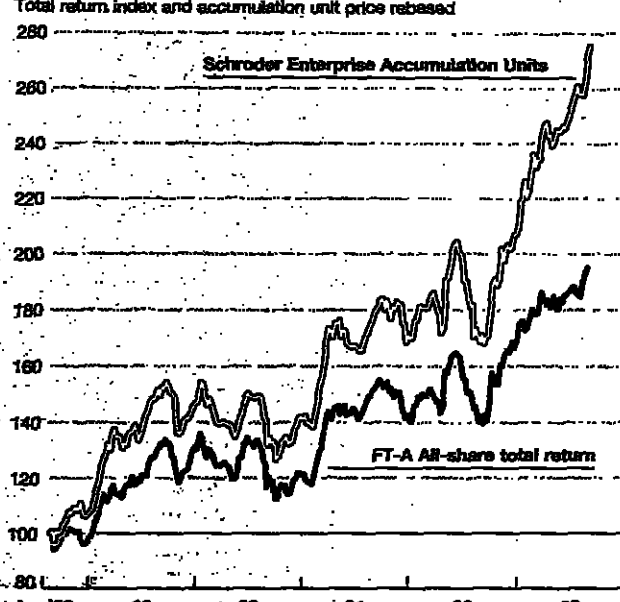
SCHRODER UK Enterprise is a fund with a deliberately aggressive approach. Founded in July 1988, and run since the start by Jim Cox, it holds only 40-45 stocks - those which it believes have the best prospects for growth. This puts a premium on Cox's stock-selecting skills.

He emphasises that Schroder's approach is heavily research-orientated, with close links between the group's analysts and its fund managers. "Our overall rule is that there aren't any rules - no black boxes or magic formulae which have the secret of successful stock-picking," he says. "But, with careful research, it is possible to tilt the odds in your favour."

Cox feels management change at a company often presents an investment opportunity. "Change inside a company means that shares may be mis-priced," he points to the leisure group Granada when Gerry Robinson, formerly of the Compass Group, took over shortly after a £183m rights issue. "The business had too much debt but the shares had considerable value at the rights issue price."

Schroder UK Enterprise Unit Trust

Total return index and accumulation unit price rebased



UK Enterprise also has a core of large growth companies such as Cable & Wireless or Reuters, and some "recovery" stocks. This eclectic approach indicates that Cox does not fit neatly into the "growth" or "value" schools of investing. "We are just looking for stocks which are cheap," he says. Over the past year, the fund has had a heavy emphasis on the financial sector, particularly in banks, insurance com-

panies and merchant banks. "We believe the financials will benefit from falling interest rates and a reduction in the bad debt problem, plus a sharp improvement in the insurance cycle," says Cox.

The concentration on financials stands out when you look at the fund's top 10 stocks: GRE (the biggest holding), Schroders, Kleinwort Benson, TSB, London & Manchester, Cable & Wireless, National Westminster bank, British Airways, Legal & General, and Sedgwick.

Cox believes GRE has been undervalued by the market. After a dividend cut, he says, the shares yield 5 per cent with prospects for growth, especially if the insurance cycle rebounds.

British Airways is one of the fund's non-financial stocks. Cox points out that the company is in a growing industry with the balance of supply and demand moving in its favour.

"Airlines have not been making much money in recent years but BA has made more than most," he says, adding that the shares look attractive on a price-to-cash flow basis.

As the fund grows - it is now £115m compared with £100,000 at launch - there is an inevitable tendency for Cox to acquire more stocks. But this is not a trend he wants to see develop too far since, as he puts it, "I don't want to dilute the effect of each individual bet."

Some bets go wrong; one was a holding in Ratners, the jewellery retailer, where the financial problems proved worse than Cox thought. But, overall, the fund's performance figures are extremely impressive. It is top of the UK equity growth sector over the five years to August 1, with growth of 148.25 per cent (offer-to-bid with income re-invested: source Microcap).

Over three years, it is second (out of 136) in the sector with growth of 69.95 per cent. In the past year, it is 10th (out of 145), giving investors a return of 45.1 per cent. No other fund in the sector can match UK Enterprise's achievement of being in the top decile (10 per cent) of funds over one, three and five years.

Cox is optimistic about the prospects for UK shares. He believes the key is interest rates and argues that, when they come down, equity markets tend to rise. With very little inflation in the system, bond markets are reaching new highs, that also aids the outlook for share prices.

Charges Schroder says it is increasing the annual charge on the fund from 1 to 1.5 per cent "to bring the charge in line with the rest of the industry". The initial charge is 5.25 per cent and the bid-offer spread is 6.25 per cent. The minimum investment is £1,000, or £25 a month. The trust is payable at no extra charge, although the minimum monthly Pep investment is £50. The fund is run for growth, rather than income, and has a yield of 2.24 per cent at present.

Philip Coggan

Dispute drags on

PAY-OUTS from the Investors Compensation Scheme have been a mixed blessing for 17 people who lost money with failed financial adviser Denis Dale-Greaves. Ever since they received the money, they have been pursued by Toby Micklethwait, an accountant who claims he is owed 10 per cent on a contingency fee basis under contracts which investors signed with him. He issued a writ last October and the case reached a pre-trial review before a judge in chambers at Plymouth County Court on July 28.

Acting for himself, Micklethwait had 14 days to amend the drafting of his claim, which sought fees of £29,300 plus £2,000 for "time wasted as a result of non-payment" - a concept unknown in English law. Lawyers estimate that the full hearing probably will not get under way until the beginning of next year.

Micklethwait said he filed an amended claim on Thursday but was unsure if he had met the deadline. He said the claim was longer, and spelt out more precisely what his contract had been. "It will go to court unless a sensible settlement is proposed, but I will settle for less than the full amount because I am a nice chap - it came out easier than I expected."

The ICS paid a total of £1.6m to 109 investors who lost money through Denis Dale-Greaves. But the scheme initially told some of the investors - including the 17 now being sued - that, on the evidence available, its rules would not allow com-

pensation to be paid to them. This was because their money had gone into fake "bonds" issued by Dale-Greaves between December 18 1986 (the date when investment business was first defined legally) and August 28 1988 (when cover against bad advice became available from the ICS).

The ICS said issuing fake bonds could not constitute investment business but had to be treated as bad advice, not covered at the time. However, the ICS offered the investors further personal interviews to discuss details of their cases.

Three days before the interviews, the investors had a meeting with Micklethwait and agreed he would attempt to recover money for them. The exact terms of this agreement are in dispute. He says the wording of the contract entitles him to 10 per cent of money recovered from whatever source. But Clive Lambert, of the Plymouth-based firm Lamberts, which acts for the 17, says his clients' understanding was that Micklethwait would receive only 10 per cent of any money he recovered over and above anything the ICS agreed to pay. He says Micklethwait acknowledged this in a letter to the ICS.

Other points at issue are the amount of work actually done by Micklethwait and whether he had any influence on the ICS payments made to the investors in February and March 1992. "I anticipated a two-year slog and was planning and moving accordingly," said Micklethwait; "I did a lot on the telephone and a certain amount face to face, but I don't have a lot of records to prove all the 'phone calls and I didn't keep time sheets."

Lambert said his clients felt that Micklethwait had not done anything on their behalf. "The meeting with him was on a Friday, they went to the ICS interviews the following Monday and Tuesday, and got compensation several administrative months later."

He added that Micklethwait could not claim under his contract for any work done on the Dale-Greaves case in a general way before the meeting as that would amount to past consideration, which is no consideration in law.

Lambert also noted that the ICS had written - in a reply to his query about the involvement of Micklethwait in his clients' cases - that the scheme had "no correspondence or reference from Micklethwait specific to their claims."

The 17 investors may have to seek legal aid if and when the case gets to court, Lambert adds. But the compensation payments will have taken some beyond the capital limits for legal aid.

Barbara Ellis

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MINDING YOUR OWN BUSINESS

ON A bright afternoon in New York, with the sun shining brightly on the Hudson River, the waterfront is alive with the sound of iron hitting ball - a steady thwack, thwack, thwack, interrupted by the occasional curse of frustration or low whistle of appreciation.

This is pier 25, or to give it its full title, the Manhattan Golf Club. The club is the largest of the famously crowded island that is home to 1.5m residents and 3.2m day workers.

No one knows exactly how many of those are golfers, but few doubt that Manhattan Golf Club has exclusive access to the largest number of potential customers of any driving range, anywhere in the world - all of them packed within a few square miles.

It was this enormous potential that inspired Greg Cohen and Seth Braunstein, two 34-year-old New Jersey entrepreneurs and avid amateur golfers, to set up the range at the end of a disused pier just a drive and a long iron away from the banks, broking houses, insurance companies and trading rooms of downtown Manhattan.

Today, nine months after the range opened, Cohen and Braunstein are content with the way their young venture is progressing. When the weather is fine - which in the summer is most days - there is a steady flow of business, a flow that can turn into a flood on warm weekday evenings and sunny weekends.

It is all a long way from 1990, when the two recently-graduated friends decided to pursue a long-held ambition to open Manhattan's first driving range. At the start, they were so inexperienced that they set out on foot walking around Manhattan's riverfront looking for possible locations.

They did not know that it only needed one call to the New York State department of transport, which owns the island's pierfront, to find out which piers might be available for rent.

Then, in the summer of 1992, their



On the waterfront: Seth Braunstein and Greg Cohen, owners of the Manhattan Golf Club, at home on their range on Pier 25

A whole new ball game in Manhattan

Patrick Harverson on a golf range in downtown New York

luck turned when they found an outdoor nightclub on one of the west side piers which had some spare space at the back, space that under the terms of its lease could only be sub-let for "sport and recreational purposes". This meant that Cohen and Braunstein could build their range free of interference from the community boards.

They quickly struck a deal with the club's owners to pay a rent of slightly more than \$10,000 a month, and the work of converting the pier into a golf driving range began. The costs were considerable. It took three months to build the range. About \$235,000 was spent on materials, and at least three times that figure on labour, says Cohen.

The equipment costs were also fairly high. They bought about 70 top-quality clubs, \$12,000 went on an initial batch of golf balls and \$2,000 on the little buggy that collects the balls.

From the start, staff expenses were low. Cohen and Braunstein

are at the range almost every day, and they hire a couple of part-time employees. Family members are asked to help out when needed, and Hank the rottweiler provides the security.

The biggest single component of their operating costs is insurance, which, says Cohen, always had the potential to be a "deal-breaker" for the entire project. Initially, they feared the annual premiums would run to several hundred thousand dollars, because driving ranges are classified as amusement parks by insurance companies, and therefore as relatively high-risk ventures.

Cohen and Braunstein found a small company in Indianapolis which specialises in insuring golf driving ranges. So instead of paying six-figure sums every year for liability cover and property insurance, "we're barely in five figures," says Cohen.

The Manhattan Golf Club opened in October last year and, given the season, business got off to a slow

start. Then, on December 10, bad luck struck, in the form of a powerful winter storm that battered New York with 90-mile-an-hour winds.

Pier 25 was hit hard. The storm ripped up the 70ft nets that surround the range, destroyed much of the electrical wiring, and pulled up some of the 90,000 sq ft of AstroTurf.

Cohen and Braunstein risked their lives to save some of the equipment. "I'm pretty much irreparable," says Cohen, "but for a while there I was feeling pretty grim. It was one of the worst days in my life."

The storm did about \$250,000 worth of damage. The insurance covered everything, but the repairs took so long that the range did not reopen until April.

Since then, business has been good, says Cohen, thanks to publicity from local newspapers, magazines and television stations. Word-of-mouth also spread quickly, particularly among the financial community on Wall Street.

A 20ft-by-10ft billboard erected

where Pier 25 meets the West Side Highway (the main artery that runs along the river on Manhattan's west side) attracts the attention of passing motorists.

Weekends are busiest, followed by weekdays between 4pm and 10pm. There is also a steady lunchtime crowd, and the range is already attracting regulars. "We have guys who come here twice a day, every day," says Cohen.

The economics of the driving range are fairly simple. It has 24 stalls - a dozen on each of two levels. Balls are sold for \$6, \$9 or \$12 a bucket. (This is considerably more than ranges outside the city charge. But overheads are higher in Manhattan and the fact that the range is the only one on the island, allows for more expensive rates.)

On average, customers have been paying \$10 for a bucket, and Cohen estimates that each stall can bring in about \$30 per hour when the range is busy. That means that on a good day, with 16 of the 24 stalls in use for six hours, the range can generate upwards of \$3,000 in cash. That, however, is at the weekend. The place is much less busy on a dreary Tuesday afternoon.

Cohen and Braunstein are heavily dependent upon the weather. New York is pleasantly warm or unpleasantly hot for about 5% months of the year - from mid-April through to the end of September. Although (unlike many other driving ranges) the Manhattan Golf Club does not shut down for the winter - the stalls can be heated and players are sheltered from the rain - driving ranges are inescapably a seasonal attraction.

"People just do not think of going to a range if it's cold and wet outside," says Cohen. This summer, they have also had to contend with the extreme heat and humidity, and a prolonged heatwave in July kept the number of visitors down.

Although the two owners are shy about revealing all their financial details, it is clear that more than \$1m was spent on driving range. The money came from Cohen's father, a doctor, and a friend of his, a Californian businessman.

They will have to be patient investors, because Cohen and Braunstein believe it will take up to two years before the range begins to break even.

They are not entirely sure, though. "No one has ever done something like this before," says Cohen.

Ultimately, both are confident the driving range will be a success. As Cohen explains: "Manhattan has millions of people, and there are only 24 stalls in our range. The numbers have to make sense. Once they know about this place, they have to come."

Computing/David Carter

Big package at a small price

THE world's best-known word processor is WordPerfect 5.1 for DOS continues to head the sales charts. It is a big-company product at a big-company price - \$299. To entice private users to spend their own money, WordPerfect Corp in 1991 released LetterPerfect, a slightly cut-down version of WordPerfect 5.1 which costs \$99. Late last year it went further, and released WordPerfect Works for DOS.

WordPerfect Works (WW) is an integrated package combining five modules - word processor, spreadsheet, database, graphics editor and communications. It contains a full version of LetterPerfect, the word processor, a version of the full-price spreadsheet PlanPerfect 5.1, a version of the full-price database DataPerfect 2.2, and a version of the full-price graphics editor DrawPerfect 1.1. Finally there is the communications module, one of whose most valuable features is the fax facility which can send documents directly via a fax modem.

WW runs on any IBM-compatible computer with DOS 3.0 or higher and with at least four megabytes of free hard disk space. List price is \$109 and I have seen WW advertised via mail order at \$92.

WordPerfect 5.1, PlanPerfect, DrawPerfect and DataPerfect, together retail for well over \$1,000, yet WW, which combines all four of them, costs a tenth of this. Where is the catch? There is no catch. In practice these versions contain 95 per cent of their full-price equivalents. In the case of LetterPerfect, the only serious loss I can see from full WordPerfect is that it will not handle multiple columns of text (for newsletters, etc). The reason for the low price is that WW is marketed low-key as a SOHO ("small office, home office") product. This puts off the corporate buyer who always has to have the "power-user" version with all the bells and whistles, even if it costs 10 times as much.

There are two potential purchasers of WW. The first is someone who uses WordPerfect 5.1, PlanPerfect, DataPerfect or DrawPerfect at work and wants

to be able to run these packages at home. WW has file compatibility with all four. A disk created at work under WordPerfect, for example, can be taken home, loaded on to a machine running WW, and worked on, then taken back to work and loaded onto the WordPerfect machine. To this group WW can be recommended unreservedly.

The second, larger group comprises those who are looking for a modestly-priced integrated package to cater for most of their computing needs. For these I am not so sure. WordPerfect has its own peculiar set of conventions different from those prevailing throughout the software industry. For example, the Escape key does not mean Escape; it means Undo. The Help key is not F1, but F3. WordPerfect Corp does not believe in dialogue boxes, so in order to select options you constantly find yourself having to switch your eyes to the bottom of the screen. This is awkward and gives WordPerfect a slightly old-fashioned feel.

However, you can get used to all this. On the plus side, WordPerfect's famous screen display, instead of being cluttered with icons, tool bars, graphics, etc, accommodates a full 22 lines of text. This, plus the full complement of keyboard shortcuts, allows for blindingly fast data entry.

The real problem with WW is the manual, which is appalling. 604 pages of text written for trained systems support staff with no concessions to beginners. There is no tabular practice you will have to learn by trial and error. It is astonishing that WordPerfect, which claims millions of users worldwide for its software, should be so hopelessly inadequate at teaching people how to use it.

In terms of features per pound, WW is probably the best-value package on the market today, and it is difficult to complain when you see 258 buys on a near-complete version of WordPerfect 5.1, let alone the rest of the package. But WW will not yield its secrets easily. Unless you have a WordPerfect expert on hand to help, you face many hours of head-scratching before you will be able to get it to work.

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When the penny drops...

SOME YEARS ago, I bought a number of ordinary shares. Due to a takeover and the recession, these have now degenerated into "penny shares." No dividends have been paid for some years and they are virtually worthless and not marketable, although they continue to be quoted in the financial press.

Some time in the not too distant future, it is my intention to sell another shareholding which is showing substantial gains. I want to offset the cost of the loss-making shares against the anticipated capital gain.

1. Is it possible to dispose of the now-penny shares by returning the relevant certificates to the company registrar and asking him to cancel the registration?

2. Would it be acceptable to give away the shares to a charity or an individual by returning the certificates to the company registrar and informing him of the change of ownership?

3. No.

2. Charity: No, you would be deemed to have sold them to the charity at their indexed cost, broadly speaking, by virtue of section 267 of the Taxation of Chargeable Gains Act 1992.

Individual: Provided that the person is not a connected person as defined in section 266 of the Taxation of Chargeable Gains Act 1992, you should be able to establish an allowable loss by executing a share transfer form in his or her favour (remembering to complete the stamp duty exemption certificate on the back) and sending it to the registrar, with the certificate. Share transfer forms are obtainable from most business stationers.

You might like to ask your tax office for the free pamphlets CGT13 (The indexation allowance for quoted shares) and CGT16 (Indexation allowance: disposals after 5 April 1988). The pamphlet CGT14 (Capital gains tax: an introduction) could also be helpful.

"The term 'connected person' includes your husband, your parents and parents-in-law, your siblings and siblings-in-law, children and children-in-law, and your grandchildren and grandchildren-in-law."

Under paragraph 2 of Schedule 26 to the Income and Corporation Taxes Act 1988, your income tax gain will be calculated by deducting the cost (translated to sterling at the rate of exchange for the day of the purchase contract) from the market value on the day of the switch (translated to sterling at the rate of exchange for that day).

You will have a capital gains

now received the additional shares in respect of the enhanced scrip dividend and I am considering selling them. When these new shares are sold, do they constitute a new pool or are they to be added to the base cost of the pre-April 1982 pool and the CGT calculated accordingly?

Like any other bonus (or rights) issue, scrip issue in lieu of a dividend falls into the same pool as the holding which produced it. In your case, therefore, the scrip falls into the old pool of Redland shares acquired before April 6 1982. The free Inland Revenue pamphlet CGT13 should clarify the rules for you.

No logic in tax laws

THE INLAND Revenue has advised that, for the moment, it considers me as normally resident in the UK for tax purposes.

I had an overseas investment in the Guinness Flight International Balanced Growth fund, which is in US dollars. To try to maximise currency gains, I recently switched to a different fund under the same "umbrella" in pounds sterling.

It seems to me that the element of gain accruing from movement in exchange rates should logically be treated as a capital gain as distinct from movement in the quoted price which, I understand, the Inland Revenue treats as investment income. Both types of gain would then be reported separately to the Revenue.

Is this the case and, if so, at which exchange rate is the gain in the price in pounds to be calculated: the start, finish or average?

It is rarely possible to deduct one's UK tax liabilities by the use of logic. Over the years, we have tried to get across the message that UK taxation is levied according to complex and arbitrary rules laid down by parliament with scant regard for logic or equity.

Under paragraph 2 of Schedule 26 to the Income and Corporation Taxes Act 1988, your income tax gain will be calculated by deducting the cost (translated to sterling at the rate of exchange for the day of the purchase contract) from the market value on the day of the switch (translated to sterling at the rate of exchange for that day).

You will have a capital gains

Q&A

BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the accuracy of the answers given in these columns. All enquiries will be answered by post as soon as possible.

Cash gift to daughter

I AM RETIRED and get a small pension. I have lived in the same house for the past 15 years. Originally, the house was in the joint names of myself and my daughter, but when she came to live with me six years ago, she paid me half the then current value for my share.

Now, she is emigrating and is allowing me to continue to live in the house for as long as I wish. I plan to make her a gift of all my cash, which includes the original money for my share of the house and interest earned. The sum is about £100,000 and represents virtually all my assets.

I am aware of the effects of gifts in relation to inheritance tax, notwithstanding my assets are presently within the current threshold. However, I have recently been told that such a gift would also

PERSPECTIVES

Despatches / Tony Walker in Shanghai

Quick march down the capitalist road

THE COLONEL could hardly be found himself displayed in more handsome surroundings, or have provided quite such an affront to historical memory guided by years of absence. There he was in all his finger-licked awfulness, stuck to the colonial facade of the old Dong Feng hotel on Shanghai's Bund, the city's waterfront corniche.

There was, however, worse to come. Inside the Dong Feng, formerly the Shanghai Club and once the preserve of gin-sodden expatriates and their ladies-in-waiting, there was more excess. The long wooden bar - the longest bar in all Asia in its day - had been taken away and replaced by a Colonel Sanders fast food establishment with its synthetic plastic red and white livery. The stale vapours of Kentucky fried chicken waited across what had been a marbled entrance hall of some majesty in the faded days of empire.

Returning to Shanghai after 10 years, I felt a strange sense of dislocation: regretful of a fading, less complicated past, yet exhilarated by a new vitality. For the city is awak-

The stale vapours of Kentucky fried chicken wafted across what had been a marbled entrance hall of some majesty...

ening like an oriental Rip Van Winkle after years of heavy-handed control from Beijing, fearful of Shanghai's unruly reputation as a crucible of new, and possibly dangerous, ideas.

The Chinese Communist party was founded in Shanghai. To Mao and his comrades in 1921, it was a city of excess, of riches beyond imagining, but also a human sink - the perfect place to start a revolution. These days, there is barely a whiff of political contrariness; rather, the scent is one of money, of getting on and getting rich.

At the Shenyin Securities company, where long queues of stock market punters form each day in a drab, suburban street, I met a small, balding man named Tsao who was waiting for his daughter to emerge from a scrum of people besieging the counters inside. The 76-year-old Tsao, it emerged, was a Shanghai "millionaire" before the revolution took it all. He appeared affronted when I confessed that I had not heard of his now-defunct business, the "famous" Wasong electric fan company.

The communists had expropriated the company and his shares in other enterprises had been made worthless, yet Tsao was punting again with meagre savings. Why, after being scalded once? I asked, to which he replied with a toothless grin: "Because I can't help myself."

Across the city on the banks of smelly Suzhou creek, in a converted hotel ballroom, the Shanghai stock exchange, the city's new temple of capitalism, was registering Tsao's modest (\$63) investment. Other, bigger punters are in the field, like

"Million Yang," a former Shanghai worker who is famous the length and breadth of China for his stock-picking acumen.

In time, Million Yang may become the stuff of legend in the tradition of Shanghai's dubious personalities of the past, like Big-Eared Du and Pockmarked Huang, or of other colourful figures who occupied a nether world of secret societies such as the Green Hand.

A writer on Shanghai observed many years ago that its vocation had never been government or art or religion; it had been money-making. Shanghai's leaders, communist in name only these days, have, like religious converts, embraced the city's zest for commerce with rare enthusiasm. Mayor Huang Ju is lyrical about his plans to make Shanghai the "dragon head" of the Yangtze river valley, the "gateway to the world outside."

Dressed in conservative suit and tie and wearing platformed, tasseled shoes, Mayor Huang is the very model of the modern Chinese official, dancing nimbly around questions about Mao and Marx, communism and capitalism, then and now. China's turbulent past, its

class struggle, its Soviet-style central planning, its mass political campaigns, are "part of history." What is important, he says, is to look forward - and he is probably right, since to dwell on the past would be to remind oneself of wasted years and behavior best forgotten.

Shanghai no longer moves at the measured pace that I recall. People surge through narrow streets and traffic is caught in endless jams. Moving west along Nanjing Road, the city's main shopping street, you find yourself borne on a human tide; and if you wish to leave the torrent, you are obliged to negotiate your way carefully, like crossing a river.

Ten years ago, it was possible to stroll and browse, poking into stodgy, Soviet-style emporiums like the No 1 Department Store where sleepy sales assistants barely acknowledged your presence. Now, Nanjing road has come alive with shops like Benetton, Stefanel and the Sincere Department Store. Its Shanghaiese owners, refugees from communism, have returned to claim their birthright. If not the exact location on which the old Sincere store stood before the revolution.

In these new, gleaming retail temples, people engage in a kind of consumerism gone mad. Shopping in Benetton one day, I removed my pullover to try on a new one, only to find that my shapeless relic had been borne away by the crowd: it was no easy task to retrieve it.

Travelling further west across Tibet Road, which forms the great traffic divide between the eastern



Shanghai... awakening like an oriental Rip Van Winkle

part of the city and the western (traffic on either side gridlocks in a honking, blaring cacophony), you come to a structure not unlike the grandstand at a racecourse.

Indeed, this was a race-track before the revolution put paid to such frivolity. The building is now the municipal library, and the race-course itself has been divided into a drab "people's park" and "people's square."

If, by chance, you visit the park on a Sunday and allow yourself to be drawn towards small groups,

when Shanghai, like the rest of China, seemed other-worldly. There is not much that is other-worldly about the Ju Disco, though - a throbbing palace of western-style rock which is packed to its strobe-lit rafters each night with 1,200 patrons who jiggle and jive on elevated dance floors under a huge yellow butterfly caught in smoky rays of light. It was not so long ago that a jazz band was considered risqué by the city's party bosses but, these days, a fairly lurid nightlife has made a comeback, reviving memo-

ries of a seedy past. Not far from JJ's, in what was known as Frenchtown before the revolution changed everything, stands the handsome old Jinjiang Club, preserved, as if in aspic, by the communists and where I and my friends would repair, 10 years ago and more, for a late-evening game of snooker. Now, sadly, the musty snooker room has gone and so, too, has the old-fashioned restaurant where we would dine on escargots and filet mignon and be entertained by a chamber orchestra.

The Jinjiang has become the Garden Hotel Okura, a perfectly renovated and reconstructed Japanese-style hotel with an orderliness that says less about the past than it does about the future. The plumbing, I am sure, is flawless but, somehow, it is not the same.

Happily, the old Peace Hotel on the waterfront has been preserved more or less intact, and it is there that I stay for old time's sake. Not the least of its appeal is a marvelous Art Deco reception area where idle moments can be spent in the gloom - lighting remains faithful to the 1930s - watching the parade of tourists, Japanese businessmen, and the odd journalist who has forsaken the newly-built glass-and-chrome up-market hotels like the Hilton and the Portman.

Known before the revolution as the Cathay, the Peace Hotel forms a fusty link with the past and we are assured by its manager, Mr Wang, that its character will be preserved. Completed in 1930 and owned by the Sassoon family, wealthy Jewish merchants from Baghdad, the Peace still lives, appropriately enough, in the jazz age. There are no plans, insists Mr Wang, for karaoke bars or discos.

History takes a visitor, returning after many years, to No 76 Mingye Road, in the old French quarter. It was there, at a meeting on July 21 1921, that the Communist party of China was born, the venue being the home of one of the delegates. Mao himself is said to have attended, and the place has been preserved as a shrine to the birth of communism in China complete with replica teacups (12) and ashtrays (two) from the first meeting.

But the museum now seems oddly deserted, even ghostlike, as if the mass movement launched by that first meeting is irrelevant to today's events. Outside, life flows on in full flood but, inside, the atmosphere is one of an almost defensive silence, as if daring the visitor to ridicule the revolution's legacy.

History also propels the visitor away from the commercialism of Nanjing Road, and the bustle of the Bund, north along Sichuan Road to Hongkou Park, where you can see the memorial to Lu Xun, China's greatest modern writer, whose biting satirical works poured scorn on bourgeois Chinese society of the time, in the process helping to redefine Chinese literature. With luck, new Lu Xuns will emerge to remind the Chinese of their follies, and to balance the money worship of the present.

He refuses to accept that showing violence on the screen can induce more; instead, he sees himself as a kind of anti-crime crusader. "There is too much violence in the world, but what we are showing is not gratuitous violence but news. The idea is to show the stupidity and barbarity of crimes and to show that crime doesn't pay. I always show cases being resolved, assassins being imprisoned."

Gomes believes he is boosting police morale in a country where the police themselves often are the first suspects in crimes. He has, personally, solved more than 600 murders in 20 years as a crime reporter.

Gomes has no shortage of material. Brazil is one of the world's most violent countries and he has 23 murders a day from which to choose in São Paulo alone. He says: "I still get very shocked by what I see, particularly as more than two-thirds of these crimes could have been avoided if we had a better social structure and prison system."

There was much I wished to ask him, but I could tell that was growing weary. I knew that I had to hit him with the controversial questions now. I asked: "Forgive me for vexing you, Mr Walton, but I must put to you the charge that the *Compleat Angler* was not original, that you took other people's ideas without acknowledgement."

"Master Thomas," he chided. "He who turns his back on the wisdom of others is no wise man but a fool. This complaint was made against me by one Richard Franck, a trooper in Cromwell's army and a right cribbed and dolorous soul. And how many editions are there of his dreary tales, I wonder?"

I pressed on: "And what about the allegation that you were - sorry, are - a credulous dupe? Believing that pike were bred from a special weed, and that eels were spawned by dew, and that frogs eat fishes' eyes and so on?"

"Peradventure I was wrong. Many matters are known now which were not known then. But for all this knowledge, Master Thomas, are we more contented now?"

Despatches / Christina Lamb in São Paulo

Reporter who makes crime pay

rages over excess violence in films and television, Brazil has an entire programme dedicated to showing nothing but the day's most grisly crime and violence.

Every night at 8.30, around 30m Brazilians tune into SBT to watch *Here and Now* - a 90-minute tabloid show which calls itself "The programme that shows life as it really is." It is so popular that it now competes directly with the country's main news bulletin.

An average night could start with a dramatic police chase over rooftops in the centre of São Paulo. The highlight of the programme is usually a gruesome murder - witness the moment the viewers are waiting for. The slightly hunch-backed figure of Gomes appears, leaning into the camera,

above a headline such as "Trail of blood on the Andarilho road." The gravelly voice begins: "This is the story of a young girl called Ana Maria from Ceará, a story which revolted this community."

As the camera follows him along a dirt track to a simple house, Gomes tells how Ana Maria came south to São Paulo and found love and happiness. One day, she was in the house, cooking tea happily for her husband and child. "What she didn't know," says Gomes, "was that an element with evil intent and various run-ins with the police was looking for a place to rob." (He always refers to criminals as "elements").

One of Gomes' specialities is interviewing murderers and close relatives of their victims, sometimes even bringing them

together; so, at this point, he turns to Ana's grief-stricken husband. "She was spectacular, special, a good mother," says Gomes as the new widower nods, tearfully.

Back on the dirt track, the suspense is building. To the sound of a rolling drum, Gomes continues: "The element began walking along the road looking for a way in." The camera closes in on his loafers as he enters the house. "Ana was in the kitchen... she cried out... when children began crying... when neighbours came, it was too late... they found Ana with a knife stuck in the back of her neck."

His face close to the camera, Gomes growls: "There can be no explanations, not a single explanation for such a barbaric crime."

The camera swings to a terrified suspect who is denying everything. "You're not a saint, are you," snarls Gomes. The man is condemned - he is wearing one shoe and one boot which fit footprints in the mud found by Gomes and the police, and has blood on his shirt.

Back in his office in the leafy Jardins suburb of São Paulo, Gomes proves a surprisingly gentle character, although unapologetic for his blood-chilling performance. "Unfortunately, here in Brazil, police take notice only when crime has been committed against rich or influential people," he says.

"In common cases there is no investigation, nothing. *Here and Now* has introduced a new philosophy that everyone is important, whatever their class."

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History on the seabed

BETWEEN 12 and 15 years ago - no one on the tiny Channel Island of Alderney is sure exactly - a fisherman named Bertie Cosherril found a heavily-encrusted lump of metal in one of his lobster pots. It turned out to contain musket.

Marine archaeologists now believe it dates from Elizabethan times and that the wreck near which it was discovered could be a ship that sank off the island in 1592, four years after the Spanish armada. If so, it will be the first Elizabethan warship ever found.

"The metal looked like a bit of rusty old iron at first," says Cosherril, a diminutive 99-year-old, "and when I got it to the surface, I thought it might be a German gun. I took it to the chap at the museum but he didn't think it was worth bothering about." It was only when Bertie broke the metal that he found the musket inside and showed it to two local divers, Fred Shaw and Dave Rendell.

"We were both excited about it," says Shaw. "It's rare to have one in that fair a condition. Bertie agreed to show us where he found it and, the next time he went out, we followed. He was going round in a circle and we were following like a dog on a lead and I was thinking: 'Has he got his marks right?' when he shouted 'About here, Fred.'"

"As I was flipping myself over the side, I remember he called out: 'I hope you find a cannon.' I just laughed, because I never expected to see one. But, as I swam down, I couldn't believe my eyes because, in two or three minutes, I did."

Rendell also found broken pottery and large pieces of ship timbers. They reported the new finds but the local authority was not interested. Enter Martin Woodward, 44, a professional diver who owns the Maritime Museum at Bembridge, Isle of Wight, and is a friend of Cosherril's. In 1984, he persuaded the local divers to have another look at the site. "In the 16th century, divers couldn't go down deeper than 30ft-40ft," he says. "As this one was in fairly deep water (around 90ft), they wouldn't have been able to salvage it."

In 1985, the area was surveyed with a magnetometer, but it was not until May 12 1991 that they dived again. Woodward found the cannon Shaw had seen originally and realised the potential of the site. Shaw then formed a group to carry on the work and it sent some of the pottery to salvaged to Bob Burns, archaeologist to the States (government) of Guernsey.

"I'd heard rumours that an interesting wreck had been found, and that it was early 18th century," Burns says. "But when I saw the pottery, I thought: this isn't 18th century, it's 1600 to 1610."

The Elizabethan Diving Group - as it now calls itself - has since brought up more than 100 artefacts. They include iron breastplates, matchlock muskets, cannon balls, sword scabbards, knife handles, a gun carriage, helmets, pewter pipe, bowls, spoons and stirrups. "We've brought up more on a few dives than they ever found on the *Mary Rose*," says Shaw.

Burns adds: "The wonderful thing about this shipwreck is that it's an instant in time. You have a whole cross-section of Elizabethan naval and military life sitting on the bottom of the sea and everything we believe belongs to February 1592. It was a period between Henry VIII and Queen Elizabeth I, 50 years after the *Mary Rose*, when seamanship and ships, weaponry, fighting tactics and methods of killing people all started to change."

Which ship was it? No one knows for sure but David Keys, an archaeologist and writer, consulted the Public Records Office at Kew in west London. He found that a warship on its way to Brittany sank off Alderney in February 1592 and that Sir John Norris, commander of an English garrison in Brittany, wrote about certain despatches being lost "in the ship that went down off the coast of Alderney."

Archaeologists are cautious, though. Michael Bowyer, now the licensee of the site, teaches marine archaeology at Bangor University in north Wales and this summer has co-directed the professional excavation with Oxford University archaeologist Mensun Bound. "It could be one of a number of ships," Bowyer says. "We have a vague suspicion that it might be one called the *Makeshift*. A ship of that name was built in 1563 and disappeared from records around 1592."

Alderney's Receiver of Wrecks, David Jenkins, has proclaimed the site a protected area and no one can dive around it without a licence. The ship itself has become the responsibility of the island's transport committee, one reason being the cost of conserving the artefacts (there are no plans to bring up the whole vessel). As Burns explains: "To conserve even one breast-plate requires enormous expertise plus a large amount of time and, thereby, money because, the moment you bring it out of the water, it starts to deteriorate."

Angela Wigglesworth

Angling/Tom Fort

Walton: the Compleat truth

BEFORE travelling to the ancient city of Winchester in Hampshire for my exclusive 400th birthday interview with the man we call "The Father of the Angler", I first read the book which secured his immortality. Never before had I got far beyond the *Compleat* of the title, and wondering about the old chap's spelling.

Actually, it is not half bad, if that doesn't sound too condescending. When you think what else was on offer to lovers of prose in the 17th century - Milton's *Areopagitica* for instance - it is hardly surprising that Isaac Walton's musings on fish, milkmaids and the pastoral beauties of England became a best seller.

I tracked him down to his study in the home of his son-in-law, Prebendary Hawkins. It is a fine old endary Hawkins. It is a fine old endary in the cathedral close. Outside the sun shone fitfully on a pleasing garden enclosed by antique walls, with a view of the cathedral beyond. As he made me welcome, I mentioned Milton.

"As a man, I did not love him. He

was as a pike, a tyrant melancholy and bold, a pertinacious schismatic and Republican. For you should know, Master Thomas, that I was ever for the King and the established Church. But he was the chief poet of the land, and I a mere chronicler of the lives of better men."

He nodded, and was quiet for a moment, then added: "And my *Compleat Angler*, if I am not mistaken, has been published in 19th on 400 editions in this kingdom, and America, and even in distant Japan; which, I trow, is a fate unenvied by that tedious *Areopagitica*."

Anyone who has dipped into Walton's book will have been struck by its distinctive tone: sweet, amiable, innocent, without malice.

I asked him about Sam Johnson, whose enthusiasm for the *Compleat Angler* inspired its revival after a

period of comparative neglect. "Johnson was a man of prudence, deep learning and piety, a good Royalist filled with virtue and mental vigour and wit. True, he was an abomination to behold, dropsical and ever a-twitch. He was unquiet in spirit. I believe angling would have been more beneficial medicine to him than the tea he drank in such immoderate volume."

I had spotted inside the front door, hung on a brass knob, a bulbous leather container which I assumed to be Walton's creel. Stretched along the wall above was six yards of ash and hazel, with a tangle of horsehair attached to the narrow end.

"Dost thou," I began, then corrected myself. "Presumably, Mr Walton, you don't do a great deal of fishing now?"

"I am too old and infirm, Master Thomas," he replied. "And, besides, it would fill my heart with sadness to see the streams I remember from my young manhood as they are now. What fate has overtaken the Wandle, whence Thos. Barker and I would walk of a Maytime morn to ply the angle?"

"It runs by Youngs Brewery in the London borough of Wandsworth, Father Zaak."

"And what of its trout? I recall one of more than 20 inches, which I took with a caterpillar. Its belly was as yellow as a marigold, and part as white as a lily. We, Barker and I and Dr Donne - who was no fisher but loved abundantly eating of them - had it in a sauce of marjoram, sweet thyme, winter savory, anchovies and sweet butter."

The Wandle is now a dark, lifeless

stream, strewn with supermarket trolleys and beer cans. "They are no more, I fear, sir. Though they make a fine ale at its banks."

"And what of the lovely Lea?" he inquired. "And of the Dove, where so oft I angled with my beloved friend Cotton?"

"There are still trouts in the Dove," I said. "And, marry, the cottage which Cotton built for you still stands, with its motto *piscatoribus sacrum* above the door, and the initials of yourself and Cotton intertwined on the keystone."

The old man sighed. "Ah, Charles, I loved him as a son. Doubtless he was, as they told me, a roisterous soul and dubious versifier. But to me he was ever gentle and filled with reverence; and in the matter of angling with the fly for trouts and graylings he was a master of guile."

FOOD AND DRINK

Where to find the best Festival fare

Nicholas Lander picks his favourite places to eat and drink in Edinburgh

TO DISCOVER the restaurant's view of life during the Edinburgh Festival, I phoned Tim Cunningham, chef-proprietor of the Vintners' Rooms, a man who had catered for festival goers at his previous restaurant in Bath. Was it, I asked him, the equivalent of two Christmases in a year? Better, came his prompt response. The festival lasts longer; because of the timing and the frequency of the performances customers hop from restaurant to restaurant as well as from event to event; corporate entertaining is rife. But the unique ingredient, he added, is the atmosphere. The only time Edinburgh had the same sense of carnival, he felt, was before, and after, a rugby international at Murrayfield.

Visitors to the Edinburgh Festival obviously contribute to this ambience but in return they benefit from two elements particular to this city. The first is that the Edinburgh restaurant scene is an excellent example of an open market at work. This is a medium sized city with an unusually large number of restaurants, cafés and bars (I have never been anywhere with so many privately owned, personally run restaurants). Demand regulates price and, although there are expensive restaurants, I feel that in Edinburgh's restaurants, prices are lower overall and the price/quality ratio higher than anywhere else in Britain.

The second factor in ensuring such good value for money owes more to history than economics. Perhaps because of the Auld Alliance and Edinburgh's long association with France, Edinburgh restaurant-goers demand quality.

Like the French - but still unlike most of us long-suffering Brits - the burghers of this city vote with their feet: those places that become too expensive or unappreciative of their customers lose out to those places that are prepared to look after them better. For the restaurateurs, Edinburgh is a demanding market place; for the consumer, there are some cer-

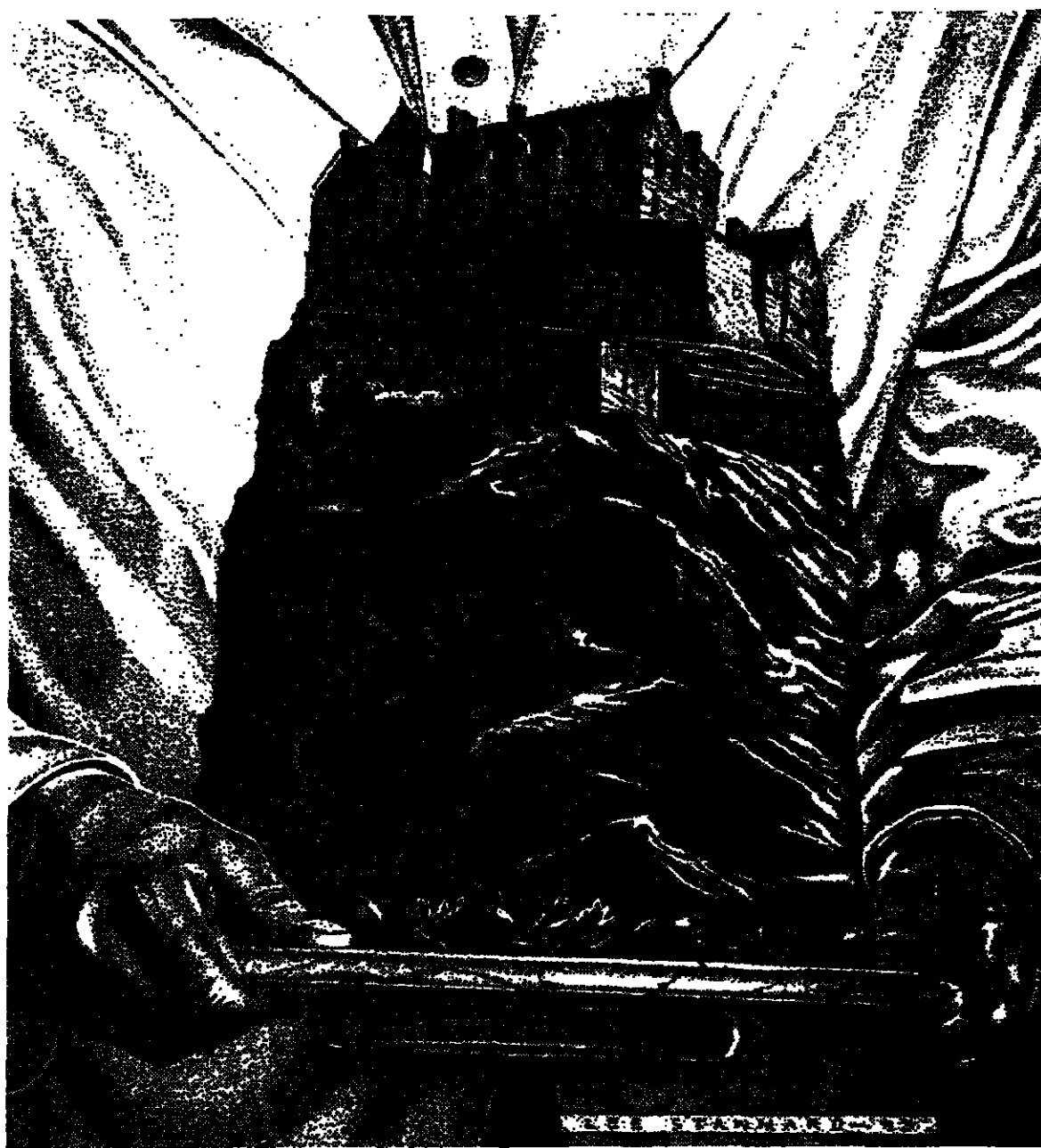
tainly some wonderful treats. **UNIQUELY EDINBURGH** In the newly opened Traverse Theatre, Cambridge Street, close to the Lyceum Theatre and Usher Hall, a good looking bar in the basement with food and, on the ground floor, the Atrium restaurant with chef Andrew Radford (228-8882), and next door his sandwich bar, The Kiosk. (All numbers take an 031 prefix, the Edinburgh code).

Les Partisans, (known by the locals as Les Patersons!) Royal Mile, (225-5141) great value food and wines; Café d'Odile, under the French Institute in Randolph Crescent but not licensed and lunch only (225-6366); The Doric, Market Street (225-1084), Le Marché Noir, Eyre Place (225-1818) for its wines too and Pierre Victoire, Victoria Street, (225-1721) for exceptionally low prices. Kelly's, West Richmond Street, (668-3847), has a strong local following.

Leith, Edinburgh's harbour, offers a wide range: The Vintners' Rooms, (554-6767) where, in the candle-lit vaults, you can almost sense the ghost of Bonnie Prince Charlie; Marquette (555-0922) and Skippers (554-1018) for fish. The Waterfront, Dock Place, (554-7427) and The Shore Bar, (554-5090), The Shore, are two popular bars with good food and wines.

ALL DAY EATING Maison Hector, Stockbridge (333-5328) for great soups and close by, Bell's Diner (225-8116) for the best hamburgers and braisings for the children; Café Florentin, (225-6287) St. Giles Street off the Royal Mile, open 24 hours during the Festival; Helios Fountain, a coffee house/bookshop in the Grassmarket (229-7884).

VEGETARIAN Kalpa, Patrick Square (867-8890) where a plate of Indian food from their lunchtime counter is about £3; Black Bo's, Blackfriars Street, (557-6136), just off the Royal Mile; the long-running Henderson's, Hanover Street (225-5131) and the recently opened Pierre Lapin, West Nicolson Street (668-4332).



ETHNIC For distinctive Italian food, Pellicano (661-6914) at 110, Easter Road and Tinelli along the road at number 139 (652-1392). More central, at 58 North Castle Street, is the more expensive Cosmo (226-6743).

For Thai food Siam Erawan, 48, Howe Street (226-3675), Kris in Raeburn Place for Malaysian cooking (315-2200), Kwelin (557-1875) and Loon Fung (556-1781) for Chinese food.

The Far Pavilions (332-3362), Shamiana (226-2265), Suruchi (556-6533), opposite the Empire Theatre and Monsoon (346-0204), complete with a beer list, for spicier Indian cooking.

DRINKING The most elegant venue is still the Café Royal at the east end of Princes

Street, complete with oyster bar. By the King's Theatre are Bennet's and The Golf Tavern; for draught Guinness and Murphys try the Barony Bar in Broughton Street.

Great pubs include Mather's, Queensferry Road, The Cumberland Bar and the Bow Bar, with a huge range of malt whiskies, Ray's in Jamaica Street, The Canny Man's in Morningside Road and the aptly named Malt Shovel Inn, just off the Royal Mile.

In Leith visit Tod's Tap in Bernard Street and/or treat yourself to a malt whisky tasting at the Scotch Malt Whisky Association, 87, Giles Street (031-554 3451).

EXPENSIVE Martins, Rose St, North Lane

(225-3106), particularly for his range of exciting Scottish cheeses; The Witchery, Castlehill (225-5613), and the Pompadour restaurant in the Caledonian Hotel (225-2433). L'Auberge, 58, St. Mary's Street, (556-5888) offers better value at lunch than dinner.

Finally, should you want to escape the 1.3m festival-goers, try to get a booking at La Potinière in Gullane (0620-843214) a 45-minute drive west. Lunch Tuesday-Sunday, dinner Saturday only with one of the country's great, and most reasonably priced, wine lists.

An invaluable guide to many of Edinburgh's attractions is the recently published *Scotland the best* by Peter Irvine (published by Mainstream, £9.99).

Cookery/Philippa Davenport

It's time to pass the pork, please

TO AVOID eating pork in summer is a safety precaution that no longer applies in this age of refrigeration. Old prejudices are not easily dispelled, however, and many butchers still find it hard to sell pork when there is no "R" in the month. To encourage more shoppers, summer pork is often sold cut-price - good news for bargain hunters.

Pork tomato makes a fine summer party dish at half the cost of a veal tomato. Another splendid choice is loin of pork boned and rolled round a stuffing of mushrooms or prunes and pistachio.

This is braised in a glass or two of white wine with the pork bones and rind alongside the joint so that the amber liquid sets to a jelly that can be chopped and served with the succulent cold meat.

August is, however, a holiday month, the time when most cooks hang up their aprons so far as entertaining is concerned. Homely dishes suitable for family picnics and speedy suppers to serve at the end of a long day's eating are what is needed. Kitchens in rented holiday cottages tend to be basic, so the simpler the cooking the better.

Making sausages and pâté mixtures from lean belly of pork is fun and not very hard work.

This month at any rate, rather than make my own sausages from scratch, I favour buying the best sausages the butcher offers (or buying a reliable, high meat content supermarket offering, such as Waitrose's Traditional Pork Sausages). Take the meat out of the skins, work in a few extra seasonings and use it to make such things as sausage rolls, Scotch eggs and meatballs.

To put such dishes on the menu will win no marks for originality, but if they are freshly cooked and prepared with care, they may earn the cook a standing ovation from senior as well as junior BIRY Bunters.

SCOTCH QUAIL'S EGGS (makes two dozen)

No larger than plums, the ratio of meat to egg makes these especially good. Eat them on the day of making, preferably hot from the pan, with a salad, or, more traditionally, eat them cold.

2 dozen quail's eggs (or 1 dozen hen's eggs), hard-boiled, cooled, and shelled; 1 1/2 lb meat, coarse cut sausage; 1 garlic clove, crushed; fresh torn tarragon leaves; 1-2 tablespoons freshly grated Parmesan cheese; Dijon mustard; 2 beaten eggs; 4 lb fine, dried breadcrumbs; oil for frying.

Strip the skins from the sausages and mash the meat with a fork in a soup plate, gradually working in the garlic, tarragon and Parmesan. Divide the mixture into 24 pieces. Flatten them, one at a time, on a damp work surface into a circle large enough to wrap round a quail's egg. Spread each circle with a little mustard, place a shelled egg on top and mould the sausage meat round it firmly and evenly, making sure there are no cracks.

Roll the meat-enrobed eggs in highly seasoned flour, dip in beaten egg and coat with breadcrumbs. Chill to set the coating, for at least 15 minutes, before frying in batches in oil heated to 350-360 F (180-185 C). They will need about four

minutes. Drain well.

SAUSAGE ROLLS (makes 20)

Delicious hot and almost as good cold. Ideally the added seasonings should be mixed into the sausage meat an hour or more before baking to allow flavours to blend.

1 lb meaty, coarse cut sausages; 1 garlic clove, crushed or finely chopped; the leaves stripped from a few sprigs of thyme and oregano (or chopped rosemary needles or shredded sage leaves); 11-12oz ready-made puff pastry; beaten egg to glaze.

Strip the skins from the sausages and mash the meat with a fork in a soup plate, gradually working in the garlic, herbs, and a little salt.

Cut the pastry into six pieces. Roll each one to an oblong 4 x 12 inches and let them rest for 10 minutes.

Divide the sausage meat into six pieces and roll each piece, with floured hands on a floured work surface, into a 12in rope.

Lay the "ropes" down the length of the pastry strips, slightly to one side. Paint the pastry edges with beaten egg. Fold the pastry over the meat and seal the edges firmly.



pressing with the prongs of a fork.

Cut the sausage rolls into 3in lengths and transfer them to a damp baking sheet. Glaze with beaten egg; slash the tops to allow steam to escape and bake for 25-30 minutes at 425 F (220 C) gas mark 7 until golden, puffed up and crisp.

MEATBALLS WITH APPLE & FENNEL (serves 4-5)

1 lb meaty, coarse cut sausages; 1 garlic clove crushed with salt and mixed with 1/2 teaspoon bruised fennel seed; 1 dessert apple (Braeburn from New Zealand are probably the best but just now); 2-3 fennel bulbs; 1-2 tablespoons chopped parsley; 1/2 pt Bulmer's No. 7 (or unsweetened apple juice plus 1 teaspoon vinegar); butter and olive oil for frying.

Strip the skins from the sausages and mash the meat with the garlic and fennel seed. Break off small pieces of the mixture and roll into 16-20 small balls.

Trim the fennel, cut the bulbs into wedges and fry them in a little butter and oil. Remove and keep warm. Then fry the apple, peeled and cut into crescent moon slices.

Add a drop more oil to the pan if necessary and, when it is hot, add the meatballs. Sauté them, shaking the pan to roll and turn them, until slightly crusted outside and cooked right through.

Lift them out. Deglaze the pan with the cider, letting it bubble up while you scrape the meaty sediment from the pan base. Pour the gravy over the fennel and apple, sprinkled with parsley, on a generous bed of mashed potatoes.

Champagne is in crisis, with falling prices and over-production. What does it mean for the consumer?

Surfeit of a good thing

THERE IS much confusion about champagne. Is it as good as it used to be? Is it too expensive? - especially the well-known brands?

In general, the quality is higher, thanks to more stringent regulations in the trade and competition outside. In the boom years, up to 1989, when demand threatened to exceed supply of grapes, just about anything sold - including champagne made from low-quality, immature grapes.

Today, new and improved presses have raised the quality of the must, the third pressing has been eliminated, and the inclusion of the second pressing may be suspended while crops are so large and sales reduced. Also, the minimum legal bottle age before it is released for sale may be increased from 12 to 15 or 18 months, while cash-flow problems may delay replanting and increase the average age of the vines in some vineyards.

The combination of three exceptionally large crops - with a fourth likely this year - and the recession that began in 1990, has led to the highest age-level of stocks for nearly 30 years, when the excess quantities were much smaller. They have now reached the equivalent of nearly a billion bottles in cask, still wine and bottle. This is nearly five years' worth of saleable champagne, rather than the traditional three. And the interest charged on an extra year's stock in densely-packed cellars is formidable.

Hit particularly hard have been those growers (*cultivateurs-manipulants*) who market their own wines, mostly to private clients and the co-ops, which are obliged to buy their members' wines. Although there are excellent growers who sell privately to clients all over France, the majority do so on what is called a *premier prix* basis: as soon as possible after the minimum one-year ageing in bottle is past.

Such growers have been hit by supermarkets which sell champagne at prices as low as FF60 (\$5.69) a bottle and, at special times of the year, as low as FF40. One might have a regular *petit four* dinner down in the Vallée du Marne but, rather than buying a couple of cases occasionally and



paying the freight, in difficult times it is more convenient to drop into a French supermarket and pick up a couple of bottles.

Champagne is expensive because the grapes and the method of production are costly. If, as is suggested, the price of grapes is reduced this coming vintage from FF24 to FF20 for the top village wines, it will be FF16 for the lowest. It takes 1.2 kilos of grapes a bottle and, after materials, labour and interest charges, the total will exceed FF43 without overheads or depreciation. One of the largest, most respected *manipulants*, with holdings in top-quality Côte des Blanc vineyards and selling 200,000 bottles a year, told me: "We cannot live on FF50 a bottle!" They sell it for more to the British high street wine merchant Oddbins, which now retails the 1989 Blanc de Blanc for £16.75.

If grape prices were to fall further, the merchants would secure fewer grapes, as the growers would sell to the co-ops, and improved quality would be at risk. Worse, many more growers might start to make their own champagne without the necessary know-how, the sophisticated equipment or the marketing experience.

The overall picture today shows that, for large-scale selling, there are two fairly distinct quality/price levels of champagne: the variable quality,

low-price ones, retailing in the UK from below £10 a bottle up to £12; and the should-be-reliable, non-vintage at *grande marque* level that dominates the international trade, costing between £17 and £22. Additionally, there are the vintage and prestige cuvées, sales of which - apart from Dom Pérignon and Roederer Cristal - are small at up to £50 a bottle.

So, what to get? For low-price champagnes, you should buy selectively, almost certainly not at the lowest prices and avoiding those with fancy label names. Such champagnes could be bargains but, as with some I have tried, they may be coarse and short in bouquet and taste. The best way is to test them by buying single bottles of several brands. Supermarkets' own labels may be the best.

Champagne needs some ageing and, for this, the *grandes marques* have a great advantage. The average age of their non-vintage stocks may be approaching five years and should be flavoured and rounded, with an attractive bouquet. Their prices have come down, too. If only - in Britain - because of sterling's devaluation. But all Champagne is in crisis, with few of the houses making a profit. There is plenty of reason to buy now.

Edmund Penning-Rowell

Labels that tell a story

CERTAINTIES seem to have disappeared in the world of champagne - except for the certainty that selling it is extremely difficult just now. Once, we were told that only the so-called *grandes marques*, or big brands such as Moët & Chandon and Mumm, had the stocks and blending ability to produce reliably good wine. Champagnes made by growers in much smaller operations were dismissed as kitchen sink concoctions; and as for supermarket champagnes - well, that was simply undrinkable.

In the British wine market today, the *grandes marques* (now re-defining themselves, in any case) have been losing share to a plethora of less familiar labels. Some are from individual growers, some from co-operatives, and some from substantial operations which specialise in buyer's own brand (BOB) champagne (such as the giant Marne et Champagne, the bottling lines of which supply a multitude of Poi Theses and Veuve Thats).

This is not just because the British have become a nation of cheapists but because UK wine merchants have discovered that growers' champagnes can be delicious and that some of the BOB cuvées can offer fair value, even in comparison with the dramatically improved sparkling wines of the new world.

One merchant, Bibendum of London NW1, recently celebrated an offer of its four favourite growers' non-vintage champagnes by organising a blind comparison of them with five *grandes marques*. Extraordinarily, the preference of customers - on the ground of taste alone - was for the cheapest of all, Albert Beeren's Reserve at £11.99.

Their second favourite was another inexpensive Premier Cru Blanc de Blancs champagne from Michel Férat at £13.99. Bollinger, the most expensive wine of all at £21.50, took only third place, just above Louis Roederer, Veuve Chiquot and Pommery.

My favourite - and that of Bibendum's Willie Lebus - was the beautifully-balanced, mouth-filling Cuvée de Réserve from grower Henri Billot of the top-quality Pinot Noir village of Ambonnay. At £17.99 (and available also from Adams of Southwold), it is not cheap; but it is extremely well-priced for a connoisseur's champagne of this quality which could be served happily throughout a meal.

For those who insist on a name their guests will recognise, Bibendum has a particularly good price on Pommery (£13.95), which showed well in this tasting.

For champagne at rock-bottom

prices, the supermarkets cannot be beaten and are at constant war with each other over price and quality. Probably the best value at the moment is Tesco's Louis Massing Grand Cru Blanc de Blancs at just £8.99, an all-Chardonnay wine apparently exclusively from top-rated vineyards. It tastes relatively hard-pressed and exhibits the green apple taste of very young champagnes, but it is a perfectly respectable aperitif.

Tesco describes Massing's own prime vineyards in Avize on the back label, but is careful not to claim that this wine is the produce of them because, in fact, Massing is a négociant, or champagne house, which also buys-in grapes.

The picture is confused further by



the number of growers who stick their own labels on the produce of the co-operative to which they belong, so that a champagne which looks very personal to the consumer really comes from an enormous blending vat.

The Champenois have long had two letter codes which must appear on every champagne label: these allow those interested to identify the status of a given champagne producer. NM denotes one of the 250-plus champagne houses which buy-in and blend wine, and own vineyards as well. CM denotes one of the 42 co-operatives, which own about 200 brands between them. And MA denotes one of the several thousand BOB brands.

Since last December, however, growers have had to declare themselves as either RM (one of the 2,100 producers of champagne from their own grapes) or RC (a grower which puts its own label on a co-operative wine).

So, once these labels have made their way into commercial channels, we can all identify genuine growers' champagnes (RM), and genuine champagne houses (NM), although good short sight is required.

Jancis Robinson

Appetisers

Cut-price Pétrus

A sign of the times in Bordeaux is the just-released, greatly reduced opening price of Chateau Pétrus 1982, as offered by its UK agents, Cornay & Barrow, London EC2 (071-251 4051). In advance of a very large but mostly wet vintage, not only was severe summer pruning undertaken, but from the beginning of September the whole 11 hectare vineyard was covered by plastic sheeting - a costly operation. Picking took place on three sunny afternoons between September 23 and October 1. The result was 3,000 cases of 12.8° wine - 25 per cent fewer cases than normal. No Pétrus 1991 was offered, but compared with opening in-bond/London prices of £1,150, a case for the 1989 and £1,050 for the 1990, the 1992 is offered at £550 - as the

quantity is limited, on allocation. *EPR*

Inver Gordon Distillers recently invited a number of drinks writers to the Hebridean island of Jura to select a special release at cask strength. We needed 20 whiskies at between 54° and 69°, and now 200 bottles of this "critics' choice" (54°) have been released for sale. The 20-year-old whisky (54°) has a pleasant, nutty character from reified sherry hogshead. Enquiries to Inver Gordon (031-564-4404). UK price £29.95, including P&P. *Giles MacDonagh*

Since my article on tawny ports appeared last week the excellent port house of Niepoort has found a UK distributor. Enquiries to Bibendum (071-722 5577). *GM*

FASHION / HOW TO SPEND IT

At last, the no-knife face-lift



Angela Barlow wears a man's silk shirt bought for £35 from the men's department of John Lewis. With it she wears culottes, part of a range of co-ordinating separates which David purchased for her many years ago and which she still wears

The closet life of a well-dressed doctor

DAVID BARLOW is a consultant in geriatric medicine at St. Thomas's Hospital in London and a member of Instant Sunshine, a band of singing doctors taking part in the Edinburgh Festival at the Pleasance Theatre. His wife Angela teaches the Alexander Technique, a method of adjusting the posture aimed at reducing stress, improving breathing and promoting a general sense of well-being, in Dulwich and central London and David loves buying clothes for her, though he is careful to explain that he certainly does not buy all her clothes.

Naughty as we were not yet engaged, fights had yet to be invented. I was a penniless student so technically she might have paid for them. I do get funny looks in certain shop departments but it does not bother me very much as I face

Liz Walker meets a doctor who enjoys clothing his partner

potentially embarrassing situations in the hospital every day. "The first important piece of clothing that I got for Angela was her going-away outfit, a rather unusual garment. We were going skiing so I chose a beautiful maroon corduroy plus-four suit from Simpsons in Piccadilly - the shop has been sending me brochures ever since and I sometimes

shop there. I am not in charge of Angela's clothes. If I was she would never have a skirt or a bra or any of the real essentials. I buy things rather on an ad hoc basis, usually when I am away at a conference or something."

Angela remembers a time "about 15 years ago when the children were very small and David went out to do the weekend shop - meat, two veg, that sort of thing. Hours later he came back with dozens of Harrod's bags filled with co-ordinating skirts, blouses, the first culottes... an entire wardrobe. It was wonderful."

David says that whenever he goes abroad "the standard present that I buy for Angela when I am on business is a silver bracelet; come to think of it my mother has got a lovely Jensen silver bracelet, and my father often went shopping with my mother to choose clothes with her and she is also very elegant."

He admits that he thinks he has made the occasional mistake. "But I think Angela is too polite to mention them. One disaster I remember was a sort of 1920s dress with silver laces, threads running through it. I don't read *Harpers* or *Vogue* but did feel very ahead of things when I bought a dress and jacket with shoulder pads in Macy's. It must have been about the time that the television soap *Dallas* was showing, and some lady, who thought I was trying to pick her up, tried it on for size. My daughter is three inches taller than my wife and I don't always get things right for her - she won't even let me cut her hair, although I cut her mother's."

Angela rarely buys clothes for her husband as he is "always on the verge of losing some weight." She feels that she never gets ties quite right, but she is the arbiter of taste when it comes to the house and particularly furniture.

"Wine is my thing," adds David, "and I do feel that there are different sorts of money: funny money that you buy a house with, silly money, and goodie money for clothes and things... but that is crucial, too."

THOSE of you who are accustomed to seeing nothing but the professionally perfect faces of full-time models on the page may wonder what somebody normal, somebody much more like you and me, is doing here. She is Alice West, who has bravely agreed to show her own warm, lived-in, unmade-up face as it was before (on the left) and after (on the right) she embarked on a course of treatments that purport to do, non-surgically, for the face what a cosmetic surgeon does with the knife. Here, say its proponents, is the first real alternative to surgery, the first non-surgical face-lift.

To most of us, rendered sceptical by the frequent and often conflicting claims of the cosmetic industry, this sounds rather too good to be true. Creams come and go, machines come and go, but lines, wrinkles, sagging and all the other ills that flesh is heir to tend to survive them all.

To be fair, the literature put out by the team behind Perfector (the treatment that Alice West was given) does not talk of miracles. Rather it says it offers "a completely relaxing, natural way to delay the ageing process." Or "a uniquely holistic face lift, toning and tightening the underlying muscles and therefore the skin."

So what exactly is Perfector? It is a smallish machine, not much bigger than an office computer. The treatment is based on sending micro-current impulses through the skin to the underlying muscle and tissue, where it speeds up circulation of the blood and lymph, leaving the skin better-toned and firmer. An extremely low voltage is applied via two hand-held cotton-tipped electrodes which are guided by the (trained) operator to stimulate the areas being treated.

Micro-current techniques have been used for some time in the medical world, particularly in the rehabilitation of stroke patients, but are only

just beginning to be used in the beauty world.

The good news is that the treatment is entirely non-invasive and, at between £380 and £540 for the full works, it is also a lot cheaper than a full-scale surgical face-lift.

I had one hour's treatment

For the full effect to be seen, the whole "face-lift" to be perfected, a course of two one-hour treatments a week for six weeks is recommended. After that a top-up once a month or so should help keep the damage at bay.

Heather Kirby is a journalist

I begged them to get on with the other half. Most of my friends say "goodness, you look good, what have you done?" When I say I've had a face-lift their mouths drop open. My sister was so impressed that she insisted on taking me out into the garden to see me in

Stella Mansfield, a 48-year-old divorcee, has also tried the treatments. "I go regularly to the B Beautiful Salon in Romford in Essex for leg waxing. One day Nuala Briggs, who owns it, suggested that I try the treatment. I have never got on well with facials because I don't have blackheads or open pores but after one go with Perfector I wanted to have the full set of treatments. I didn't tell anybody what I was doing but all my friends started saying that I looked so well - they said my skin glowed so much I must be having an affair!"

Though Perfector is primarily used on the face it is said to do wonders for stretch-marks and flabby muscles elsewhere. The treatments cost between £30 and £45 a session, depending on salon. For details of the nearest salon offering the treatments ring 0828-523007.

Until now women who hoped for a younger face had to be rich - and brave. Surgery was the only option. Lucia van der Post looks at a British invention, the non-surgical face-lift - painless, more affordable and non-invasive

and it was as restful and peaceful as having a facial or a massage anywhere else. I certainly had the impression that I looked fresher, better-slept, more rested after it and - probably more to the point - so did my exceedingly sceptical husband.

who says she went along full of worldly cynicism ("Oh, yes, pull the other one," she thought) but stayed to have the full course and is very impressed.

"First they did half my face. Then they showed me a mirror and I could see a difference, so

the light. She was still impressed. I think it is a brilliant half-way house between doing nothing and surgery. It is very relaxing, it doesn't hurt and above all that Mrs Thatcher hound-dog look that I had when I woke up in the morning has gone."



Alice West before and (right) after her 'face-lift' at the Health and...



... Relaxation Centre at 21 West Street, Wilton, Wiltshire

Dino II fits the bill

WAY BACK in 1963, when Aram Designs was about the only place in England where you could find truly contemporary furniture and when the very first Habitat was thrilling its new customers in London's Fulham Road, Zeev Aram designed a multi-purpose storage system called Dino.

Those were the days when flexible storage systems were concentrating the minds of many of the design gurus of the day. Most of the systems that emerged were too clever by half. So multifarious were the options, so infinite the possibilities, that most of us gave up working out the permutations, waved a hand at something simpler and said "We'll take that."

Dino, though, was different. True, it needed a greater mind than mine to cope with all the

measuring-up and fiddling about, but its essence was engagingly simple. A system of beechwood uprights set 3 ft apart with grooves cut at 3 in intervals along both sides formed the framework. Into the grooves could be fitted four sizes of storage boxes and drawers, four sizes of cupboard doors, writing tables, bunk beds and kitchen units. It could be used in the kitchen, study, sitting-room, bathroom, bedroom... almost anywhere.

And on top of all that, it looked very attractive, too. Its attractiveness became part of the problem. The range was so wide that the manufacturers found it impossible to cope with the range of products and when Aram Designs moved from its Kings Road site to Covent Garden, the system was discontinued.

However, round about the time that Dino was launched a

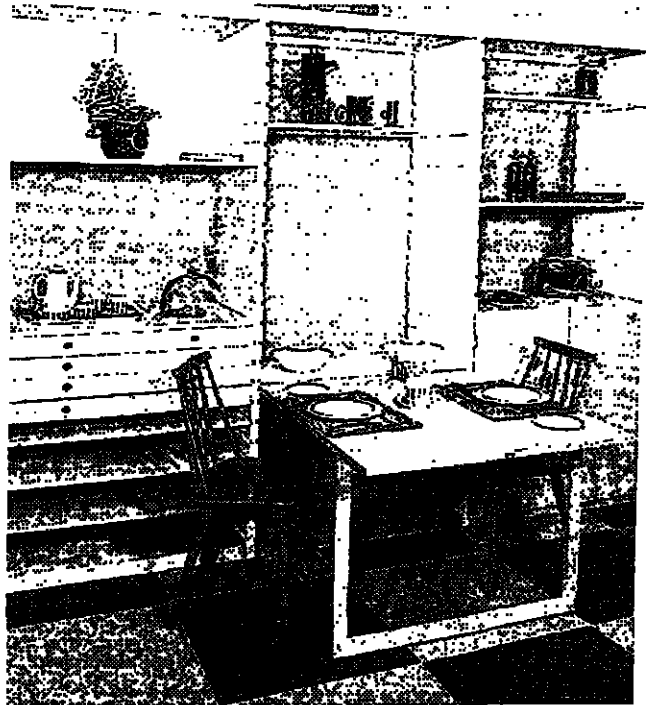
small boy called Jasper Morrison was born who grew up to be a designer. He had been aware of Dino most of his life. "It was," he says, "a design far ahead of its time. I always loved it but felt it could be made simpler to make it more accessible."

Twenty years after it was discontinued Jasper Morrison suggested to Zeev Aram that Dino be re-edited, updated and re-introduced. Dino Mark II, pictured below left, is the result. The look has been retained - uprights with grooves to take the shelves are its essence - but it has been greatly simplified. It is now primarily a shelving system (no bunk beds, cupboards, kitchen cabinets and the rest) with two different heights: 1100 mm and 2060 mm. The width from centre to centre is 900 mm, the depth 350 mm. There are also storage boxes in two depths which also fit into the uprights. Height and width can be altered by simply cutting the uprights or the shelves to the size required. The shelving could therefore usefully be used in a room with a sloping ceiling, with each upright cut to fit.

The uprights and shelving are made of MDF (a new improved and strengthened medium density fibreboard) while the tray and drawers are in solid beech.

Whereas the old system had to be clipped to the wall Jasper Morrison has made the new one free-standing using aluminium bracing to stabilise it. Though the system is officially easy to assemble with the help of a screwdriver, those for whom the letters "DIY" strike terror into the heart can take advantage of Aram Designs' installation service.

The design is just as pleasing to look at after all these years. The distinctive crenellated edges are still there but the overwhelming impression is of shelving that is simple but not



Dino first time round in 1963...

stark. Warm, useful and, above all, flexible, it is the sort of storage that almost every house could do with.

Tall uprights are £76 each, low ones £48, base shelves, £15, single shallow drawers are £54 in solid beech, £33 in MDF, single deep drawers are £66 in solid beech and £45 in MDF.

The system is on display at Aram Designs at 3 Kean Street, Covent Garden, London WC2B 4AT and 65 Heath Street, Hampstead, London NW3. Aram Designs also has an explanatory leaflet which it will send on request.

LvdP

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Crochet out of Africa

ANYBODY WHO has been to Zimbabwe will remember the rows of crocheted cushion covers and bedspreads spread out in all the places where tourists gather. Crochet work is endemic, but the quality varies from the crude and ineptly executed to the extremely finely wrought.

Geraldine Jackson, who comes from that part of the world, has brought to the UK a selection of very fine quality crocheted linens. All are made by hand - which means that no measurements or designs

are identical - and all use 100 per cent four-ply cotton yarn. They are made by groups of Zimbabwean women gathered together by a local farmer's wife, who was distraught at the hardship caused by the drought of the last few years and who felt that truly beautiful work ought to have a ready market overseas. She insists on the highest standards and the work I have seen is very fine.

Prices seem extraordinarily reasonable, given the skilled handwork. A queen-sized bedspread in the "Bubble" (Mapudu) design, 100 in by 100

in, is £103.50. King size, 100 in by 125 in is £120 and 21 in by 15 in cushion covers are £11.75.

Geraldine Jackson is preparing a full-colour catalogue of all the designs which should be ready in a couple of weeks. She has a cache of bedspreads arriving shortly but some designs may have to be made to order, which will mean a wait of a few weeks. All are available from Geraldine Jackson, Pink Flamingo, 4 Cheyne Row, Thorncombe Street, Bramley, Surrey, GU 30 LU.

LvdP The hand-crafted look



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SPORT / MOTORING

Athletics/Tim King

Battle for the gold

WITH THE world athletics championships starting today in Stuttgart there must be a suspicion that whatever the television commentators tell us, we are probably being served something less than haute cuisine.

Already attractive items have been scrubbed from the menu: some athletes are simply giving the championships a miss. The Kenyan Yobes Ondieki, who broke the 10,000m world record earlier this year, says he does not want to run a championship this year and nor does his wife Lisa, the Australian marathon runner.

Nouredine Morceli, the Algerian 1,500m world record holder, has said he will not compete because there is no prize money and no glory, though there is still a chance that pressure from his national federation and the International Amateur Athletic Federation, the sport's governing body, will get him to the start line. Rumours persist that a select few athletes are being paid to appear at Stuttgart, but of those who are competing and will be given star billing, several are not at their best.

International championships were once rare contests. This is only the fourth world championships. The first three were four years apart, but Stuttgart follows just two years after Tokyo. In the three years 1991-93 we will have had two world championships and an Olympic Games. Next year it is the European championships and Commonwealth games.

The frequency of big championships gives athletes no respite in their training and competitive cycle, but it is attractive to television.

The European Broadcasting Union paid the IAAF \$3m for European broadcasting rights to events staged between 1987 and 1991. For events between 1992 and 1995, of which the Stuttgart championships is the first of significance, the EBU is paying \$91m.

Thanks to television and its money, athletics gives the appearance of being a rich sport. But at various levels there are disputes as to how the cash is distributed.

In Britain, the British Athletics Federation has been accused by one of its own management board members of prostituting itself in staging the £200,000 100m showdown between Linford Christie and Carl Lewis at Gateshead. How, asked Derek Johnson, could British athletics lobby effectively for money from the government or the Sports Council if it was seen handling the kind of money spent on the Christie-Lewis show?

At what were once known as the grassroots of British athletics (before the advent of the all-weather track), there is little sign of the sport's new-found wealth.

Impoverished local authorities are struggling to keep tracks open and fit for competition. The athletics clubs are finding it hard to meet the cost of transporting teams to and from competitions.

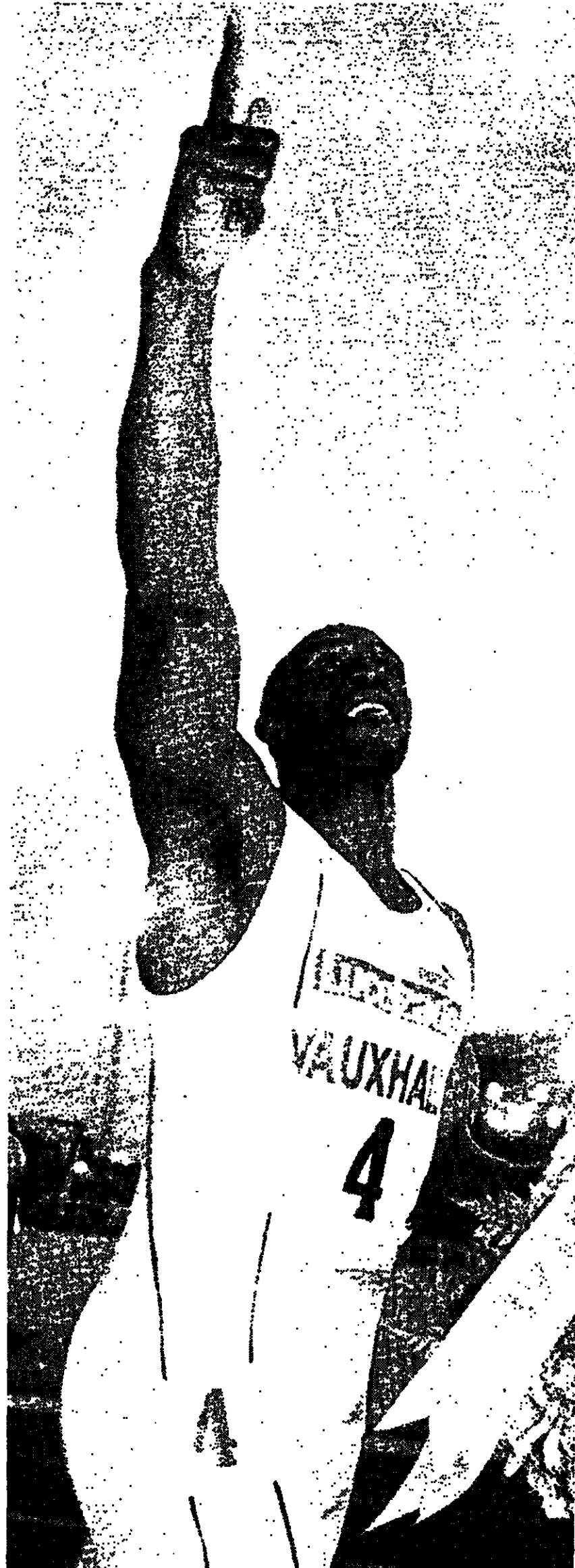
In the international arena, athletes have been voicing discontent over whether they are getting a fair share of the sport's revenue. Tom Jennings, a representative on the US track and field council, predicts a showdown with the IAAF.

"All it would take is one good boycott [by athletes]," he says. On the eve of the world championships, the IAAF's congress met this week in Stuttgart. Its most depressing decision was to move the IAAF's headquarters from London to Monte Carlo. This amounts to a further concentration of power in the hands of Primo Nebiolo, the IAAF president.

It is hard to see how IAAF finances will be made more accountable by a move to Monte Carlo, where Nebiolo has already established the International Athletics Foundation, an offshoot of the IAAF, over which he has even tighter control. Although the IAAF's multi-million dollar balances are supposed to be devoted to good works, their most visible use is in paying for a lavish gala at the end of each season.

Arguably, there should be a publicly-agreed structure to pass revenue down from the IAAF to member federations. In practice, IAAF funds are spent as Nebiolo and his council permit, and the supposedly non-profit-making body is accumulating hefty financial reserves.

The IAAF's published spending plans for



Number one: Linford Christie after winning the 100m in Gateshead

1992-95 show that of a total budget of \$172.3m, \$16m has been allocated to meetings - not athletics events but the gatherings of Dr Nebiolo and his committees in various parts of the world. That sum is not so far short of the \$21m allocated for the development of the sport internationally, and far in excess of the \$1.9m to be spent on combating the sport's drug users.

The IAAF congress has rejected a proposal to make sentencing more lenient for those failing drugs tests. There has been a steady stream of athletes found using drugs - most recently Tatyana Donovskikh, winner of three world championship gold medals. The drug-testing techniques and punishments are already insufficient

deterrent when set against the financial rewards which athletics success can now bring.

Canadian hurdler Mark McKoy is one of those athletes who have been convicted of drug-taking but have since been rehabilitated. Last year he won the Olympic gold medal in the 110m hurdles. This year he misses the Stuttgart championships because he fell out with his national federation and was not selected.

In commercial terms, he may be fortunate. The shine of his Olympic medal can not now be tarnished by defeat at Stuttgart, and later in the season there can be a handsomely-paid run-off between him and the new world champion.

Yachting/Keith Wheatley

Crewman courageous

BEFORE each Admiral's Cup, arguments are advanced that the 605-mile Fastnet Race has no place in what has become a series of inshore races for yachts more like giant dinghies than blue-water vessels. Yet the three-day classic always furnishes excitement and drama that no afternoon dash round the buoys could provide.

This year was no exception. The most gripping racing was between three 50-footers: *Indulgence* (UK), *Ragamuffin* (Australia) and *Corvus Saphir* (France). They raced the entire course virtually within hailing distance of one another and finished in the above order with only 23 seconds between first place to third.

"This has to be the closest yacht-racing available in the world," said *Indulgence* owner Graham Walker as the crew celebrated under television lights at the Plymouth finish line. It was a boat packed with experience. During long nights, sailing out on the weather rail, the *Indulgence* team calculated they had 67 Fastnets between them.

Before leaving Cowes last Saturday, Peter Gilmour (skipper of *Ragamuffin*) had said: "If we're a scoring boat then it's all over", referring to Australia's excellent chance of winning the Admiral's Cup for the first time.

What threw the calculations out was not *Ragamuffin*'s storming second place, but the dastardly of the Aussie two-tonner *Great News II*. She was leading the mid-size fleet, homeward-bound 44 miles north-west of Land's End in rough weather, when the mast snapped at deck level.

Twenty minutes' work with bolt-cutters saw the slender - and expensive - spar on its way to the sea bed. Meanwhile, close by in time and distance, an identical mis-

hap befell the Italian two-tonner *Lorouge*. She had been lying just behind *Great News II*.

This was a calamity for the Italians. In spite of going into the Fastnet with a two-point series lead over Australia, they had only two boats. *Mandrake*, Italy's 50-footer, had been written-off in a horrendous collision with *Promotion* of the Netherlands during an earlier race.

Since the Admiral's Cup 1993 scores points from only the best two yachts, the elimination of *Lorouge* meant that, as in 1991, the well-prepared and talented Italian AC team were once more the brides-

much bigger boats.

The denouement did not come until the final miles of the Fastnet, creeping eastwards under the Cornish cliff towards Plymouth. To protect Australia's almost certain team win, their one-tonner *Ninja* had to finish not more than six places behind *Pinta*. She missed by one place.

But the most compelling drama of the Fastnet concerned a man-overboard from the Japanese one-tonner *Nippon*. Bowman Kazuhiko Sotoku was swept off the deck at night in rough weather. He had no life jacket but was clutching a torch.

"At first we could see the light," said *Nippon*'s British skipper, Andrew Hurst. "But when the torch went out I began to feel sick." In broken water and complete darkness the small yacht began a search pattern. Some of the time they could hear cries from the lost crewman, but could not see him.

One of the biggest problems was the noise from the engine - necessary for an effective search but drowning the shouts of the man overboard. Hurst knew the boat's exact position at the time of the incident from the GPS navigation system, but in such conditions even someone only 200 yards away can be nearly impossible to locate.

"After about 15 minutes we were all becoming very worried and quiet," said Hurst. "We'd been launching parachute flares to illuminate the area and I was beginning to worry if we'd drifted off our search area. The last flare was off from landing in the water when we saw Kazuhiko. He was looking very weak and going under water rather too often."

With the crewman restored to his bunk and being treated for potential hypothermia, one of the most fortunate sailors and yachts to compete in any Fastnet headed back to Plymouth.

In complete darkness the small yacht began a search pattern...

maids, not the bride. Victory in the end fell to the Germans.

Leaving Cowes three days earlier, Harold Cudmore, the Irish team captain, had warned commentators not to dismiss the Germans' chances. "They've heavy seaworthy boats, not very fast, but competently sailed. If everyone else blows up they could come through," he warned. Earlier in the regatta he had sunk his own team's one-tonner, *Jameson I*, by cutting a Solent corner and ramming the rocks at Gurnard Ledge.

Germany's eventual victory over Australia was by the narrowest margin in AC history - a quarter of a point. The key was the storming performance of their smallest boat, *Pinta*. Not only did she come in over two hours ahead of the nearest one-tonner but on corrected time was seventh in the fleet overall, ahead of

Cricket

Weighed down by August

With August comes full yield. Then cricket wears a mantle overgrown. And counties in the field lose gloss. As though they wished the season flown.

THE FIRST verse of G D Martineau's memorably dreadful poem, *Cricket's August* (1935), reminds us how hard this month can be in cricket, calling for endurance it does not always find.

Lancashire's talented players, for instance, suffer from mid-season periods of depression. Last year, they lost their gloss so early that they did not win a single match between mid-May and early August, after which the best they could do was finish eighth in the county championship.

This season, Lancashire's mid-season depression has been so bad that they provided Gloucestershire with their only championship win this season - last weekend, at Cheltenham, by nine wickets. Nor is it just Lancashire who are feeling the strain. Before the season began, few people were expecting an August championship table with Middlesex (11th last year) in first place, Glamorgan (14th last year) in second and Essex (last year's champions) reckoning it a revival to have pulled themselves up to ninth.

Mind you, I can claim that I had my doubts about Essex, with batting stars Graham Gooch and Australia's Mark Waugh due to be soaked up by Test duty and bowler Neil Foster tormented by recurrent knee and spine injuries. Although this was Foster's benefit season, he had to retire from first-class cricket after a brave but troubled series of games, and is missed greatly.

The fiery genius of Pakistan's Salim Malik has not worked the overseas oracle for

Essex this year and, as so often, bad luck seems to breed bad cricket. Essex were one of the few counties loath to change from the three-day to the four-day format because, among other things, it would lessen the number of matches they could play on outlying grounds with enterprising pitches.

It is always sad when counties centralise their cricket and, this season, Essex have only one championship game each at Ilford, Colchester and Southern, half as many as last year. Chelmsford is increasingly dominant.

Habit is a strong force in cricket, and the hard truth is that Essex are not in the habit of losing and are not sure how best to react when they do. The other side of that, of course, is that Essex are in the habit of persisting. Where Lancashire are inclined to brood, Essex are inclined to fight, and I would not be surprised to see them fight better before the season ends.

It will be hard, however, for anyone to challenge Middlesex's commanding lead, which is based not so much on batting or bowling points - Surrey, in third place, have more of both - but on the fact that they have had nine victories (Surrey have only six) and, most tellingly, are the only team not to have lost a single game so far this summer.

Mike Gatting led Middlesex to victory in 1990 and is determined to avenge recent championship misfortunes with another triumph this year. He thinks his team are capable of winning and is proud that his captaincy is of

the "tough guy," rather than the tactical or fitness-and-exercise, schools.

Gatting is popular with a temperamental Middlesex team which includes two stars as famous for their tantrums as their talent: Phil Tufnell and Mark Ramprakash. Tufnell and John Emburey have been a profitable partnership of spin for Middlesex this year.

Last season the whole fast bowling force - Ricky Elcock, Norman Cowans and Angus Fraser - was injured and, not to be upstaged, Tufnell started the summer with appendicitis. So long as Gatting does not overwork Fraser's damaged hip, he might be able to revive him - along with Neil Wil-

they can offer to an outlying county ground is Uxbridge, an outpost of the North London Underground.

Still smarting from that defeat, Surrey are in their customary position of not quite doing themselves justice; but Northampton, fourth at the moment with a game in hand, are experts in doing just the opposite. The late middle stretch of the season, when other counties are getting stale, suits Northants.

They are a balanced team and, Morris will regard it as a success. Or a refutation of critics. Or a point proved. Or, at the very least, a point of passion - like Glamorgan's defeat of the visiting Australians a quarter of a century ago, against all odds, at Cardiff. As the great Martineau put it, deep in his second verse: *Spring still is in their blood And let them throng to watch heroic things.*

The real surprise is Glamorgan, in second place. Leaving the good sense to Northampton, the Welsh-based club have been living off high spirits. They were 100-1 outsiders at the end of last year but have won seven of their games this season, drawing attention to their home-grown players, such as the Rhondda valley paragon of the fast-medium, Alan Watkins.

Skipper Hugh Morris is a good example of how much confidence can help a troubled player. In 1989, the captaincy proved too much and he resigned, his game in tatters. This year, he cannot get enough of it and is not worried by his slightly erratic batting.

Wherever Glamorgan end up, Morris will regard it as a success. Or a refutation of critics. Or a point proved. Or, at the very least, a point of passion - like Glamorgan's defeat of the visiting Australians a quarter of a century ago, against all odds, at Cardiff. As the great Martineau put it, deep in his second verse: *Spring still is in their blood And let them throng to watch heroic things.*

And let them throng to watch heroic things.

Motoring/Stuart Marshall

Saab, solid and spirited

WHEN General Motors rode to Saab's financial rescue, some enthusiasts feared the worst. Future Saabs, they thought, would be Opels or Vauxhalls in disguise. They can set their minds at rest.

The new Saab 900 might have been built on a modified GM platform (the modern equivalent of a chassis), and one version has the British-made V6 engine that powers up-market Vauxhall Cavaliers. But the 900 looks, feels and

goes like a proper Saab - because it is. At the moment, there is only one body: a five-door hatchback. And while officially-leaked photographs had made the new 900 look remarkably like an old one with the corners rounded off, in the metal it has an altogether sleeker, more elegant shape. There are no overtones of the old 99 from which the original 900 was evolved in 1978, and which could still be seen. Three-door hatchbacks and a convertible will follow in the first half of next year.

Although mainland European sales start later this month, the new 900 will not make its British debut until the London Motor Show, which opens on October 21. Prices will be announced shortly before.

Saab says that, in left-hand drive markets, the new 900 will be only 1 or 2 per cent dearer

than the old one. The company claims that when equipment levels are taken into consideration as well, it will be up to 14 per cent cheaper than potential rivals such as the Audi 80, BMW 3-Series and Mercedes-Benz C-Class. An inspired guess puts the cheapest two-litre 900 at around £14,750.

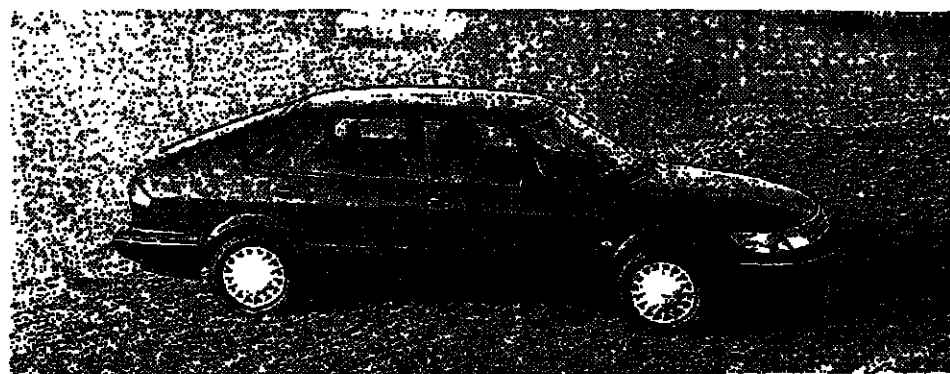
Engines are a two-litre, 133 brake horsepower; 2.3-litre, 150 bhp; and a turbo-charged two-litre (available next spring) developing 185 bhp. All are multi-valved; the 2.3-litre and two-litre turbo have twin balance shafts. The 2.5-litre V6, which Saab engineers tailored to meet their requirements, puts out 170 bhp.

A Saab-developed five-speed gearbox is standard, while a four-speed automatic with normal, sports and winter driving modes is an optional extra. The manual-only 900 turbo will be offered with a newly-developed

Saab Sensonic automatic clutch system. You change gear normally but electronic controls operate the clutch for starting and shifting.

Once you get the knack, it works well. The price premium will probably be about half that for a conventional torque converter type of automatic. Fuel consumption will be at least as good as that of a manual transmission car.

I tried two Sensonic-equipped turbo 900s in Sweden last week, with a two-pedal V6 in between. Sensonic is fussy about which gear you select. Unlike some earlier kinds of semi-automatic (like that of the Wankel-engine NSU Ro80 of 25 years ago), it cannot be left in, say, third gear while you creep along in a motorway tailback. It insists you pick first or second. I liked it well enough as a half-way house but suspect most business drivers will



The new 900. Sleeker and more refined, but it drives like the true Saab

choose fully-automatic transmission in a non-turbo four-cylinder or a V6 (it will not be available in the turbo).

Putting Sensonic in the 900 Turbo is really testing the market. But Saab engineers see more potential in systems like it, perhaps with gear-shifting controlled by buttons on the steering wheel, than in torque converter automatics. If a lot of Turbo buyers go for Sensonic, it could eventually be offered on other 900s.

While retaining Saab's traditional sporty feel, the new 900s

are, above all, refined and smooth-riding performers. The entry model two-litre and the 2.3-litre version were ultra-quiet on smooth-surfaced roads, and tyre noise was minimal on rough-textured ones.

As always, the extra cornering grip of the squatter, wider tyres of the higher performers has a trade-off: more noise on coarse surfaces and the odd thump caused by potholes.

Sweden's draconian speed limits, and a generally adult attitude toward cars, discourage fast driving. So, having

tasted rather than tested the new range, my main impression is of rock-solid construction matched by spirited handling and courtly manners on occasionally rain-swept roads.

All 900s have driver-side air bags, ABS brakes and power steering; buyers in this class now expect nothing less. Other features are a "black panel" switch which lets a driver choose a speedometer-only display for night driving, and full lap/diagonal seatbelts for all five occupants. Traditionalists will be pleased to know that

the ignition switch is still on the floor near the gear lever, which is locked in reverse when the key is withdrawn.

Saab never will be a big player in the executive car market, because, in world terms, it is a small producer, making fewer than 100,000 units a year. In a full year, about 45,000 of these will be 900s, the rest 9000s. Saab expects some substitution from 900 owners but the bigger car will still take 45 per cent of its business.

There will not be a 900 estate car and a diesel-engined version is some years off. "We are aware of the surge in diesel sales but we can't do everything at once," said product development director Sig-Gran Larsson. "When we do offer a diesel Saab - and we are looking at various engines - you can be sure it will be a Saab first, a diesel second."

BMW followed the same policy of allowing no compromises in refinement and performance when making diesel cars. The result is that 25 per cent of all BMW 5-Series cars are now the smoothest and most vigorous turbo-diesels on the market.

MOTORS

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BOOKS

Adult comics grow up

SUPERMAN is dead. Batman has taken early retirement, and I'm beginning to feel a little dizzy myself. Readers everywhere who regard their literary taste as fully formed are experiencing anxiety attacks with the advent of the graphic novel.

Opinions of the newly established genre vary widely. Adicionados and promoters hail graphic novels as a highly expressive and versatile medium midway between the video and the printed page, with images and words dovetailing to mutual advantage. Detractors deride them as expensive adult comics for those of limited attention span and questionable taste.

Literary snobs have long been at best bemused, and at worst contemptuous, of intelligent grown-ups who confess an interest in so-called comics, however disguised. But now that video animations of Shakespeare are sold alongside Hollywood celluloid blockbusters, the barriers between high art and popular entertainment are blurring.

When a writer of Doris Lessing's stature turns to the graphic novel, an overhaul of preconceived ideas about the relative merits of different media is clearly in order.

"I have always hated putting things in boxes - conventional novels good, graphic novels or science fiction bad, for example," says Ms Lessing, whose first venture into the genre of "sequential art", *Playing The Game*, is to be published by HarperCollins. An iconoclast by temperament, she helped bring respectability to science fiction with her five *Canopus* SF works in the *Shikasta* series, written between 1979 and 1983.

She hopes that her latest work will have a similarly positive effect. Not only has she set out to explode the perception that graphic novels form a sub-class of literature unworthy of serious attention, but she also has a hidden philanthropic agenda. She wants to open the door of the empowering kingdom of books to the dispossessed.

"It sounds sentimental, I know, but I am haunted by the vision of all those kids out there who are

disqualified from the whole of culture, who perceive it as 'not for us'. It troubles me that they are unnecessarily excluded by those who don't even know they are doing it," she says.

An Australian artist friend whose background mirrors the audience she aims to reach was the inspiration for her own exploration of the graphic novel: "He came from a working class home which had no books in it, but he did read comics. One day he dropped into a picture gallery and decided there and then to become a graphic artist. It seems a very casual link but his example has stayed with me."

The genre has evolved far beyond the early "Zap, Pow" imagery associated with superhero titles. The

to sell 4,000 copies of a paperback original in order to break even. A typical print run for the more lavishly produced graphic novel is 15,000 copies. And high quality printing is all-important, as Malcolm Edwards, HarperCollins publishing director, ruefully observes: "If you're asking someone to pay £7 or more for a comic, you'd better produce it well."

Gone too are the days when the most competitive production quote invariably came from the Far East. Although Hong Kong continues to offer keen prices, graphic novels are now frequently typeset and printed in Spain, Scandinavia and Scotland. Encouraged by worldwide sales of the graphic version of *The Hobbit* and by the intuitions of their US

Miller, an American pioneer in the field, deserves mention for his almost singlehanded achievement of steering the remaining superhero comics away from the simplistic moral polarities of the 1940s and 1950s, when Captain America grappled with the Nazi Red Skull and Green Lantern mopped up gangsters in the big US cities, into the muddled moral universe of today. Between the early Batman and Superman plot-lines and Miller's ageing maladjusted crimefighter in *Batman: The Dark Knight Returns*, published by Titan, there yawns an uncrossable gulf. Comic art has now, for better or worse, come of age.

The brief history of graphic novels publishing has already had several high points. In the UK, first among titles striving to extend the repertoire of the more socially-aware graphic novel stands *The Minotaur's Tale*, written and illustrated by Al Davison, published by Gollancz. According to its editor, Faith Brooker, it is "about a disabled man's struggle to survive in the community as it is now." The plotting cannot really support the numerous visual allusions to Greek mythology. Joyce and Robert Graves, but such overambition is an acceptable fault.

The Yattering and Jack, published by HarperCollins and written by Clive Barker with John Bolton and Hector Gomez as illustrators, concerns a character (with a striking visual resemblance to Philip Larkin) whom a minor demon is ordered to drive insane. It is funny, scary, and contains some thought-provoking theology.

If Neil Gaiman's and Dave McKean's *Signal To Noise*, published by Gollancz, about a terminally ill film director working furiously to complete a script which he will never see screened, is not a work of high art, I am a samovar.

KingKongKlatch, written by Ian McDonald, illustrated by David Lyttelton, also on the Gollancz list, is a short and snappy thriller whose chief protagonist is a streetwise teddy bear police inspector trying to stop a serial killer on the loose in Panda Town.



"...AT LAST THE MANUSCRIPT IS FINISHED.."

"..NOW LET'S SEE WHAT THE ILLUSTRATOR CAN DO!"

Yes, it sounds ridiculous, but who would have predicted that the adventures of a colony of rabbits or of a community of moles would have attracted a cult following and topped the adult fiction bestseller lists, as Richard Adams' *Watership*

Down and William Horwood's *Duncan* have done? Is this the end of civilisation as we know it, or are we privileged instead to be witnessing the birth pangs of a genuinely new medium? Picture it: a virulent, powerfully

addictive art form filters through language barriers to colonise imaginations worldwide, covertly influencing readers for good or ill. It sounds like a promising opening for the plot of a graphic novel.

Poetic hoax of the century

Kit McMahon enjoys the surreal tale of bogus poetry by true poets

ONE SATURDAY afternoon in Melbourne in 1943 two clever young men invented the works of a poet they called Ern Malley. They also invented his life and character - a lower middle class insurance clerk whose only education had been in public libraries, who had apparently had an unhappy love affair, and who had died unknown and alone of Graves' disease at 25. Then they wrote a carefully semi-literate letter from his sister Ethel, enclosing some of the poems she had found among his belongings, to Max Harris, surrealist poet and editor of a determinedly avant-garde magazine called *Angry Penguins*.

Harris was bowled over. So were his colleagues, John Reed, a rich patron, and a young painter called Sidney Nolan. Together they produced a special edition of *Angry Penguins* to commemorate Ern Malley. The entire oeuvre of 16 poems was introduced by Harris in very excited terms: "a poet of tremendous power, working through a disciplined and restrained kind of statement into the deepest wells of human experience." For the cover, Nolan produced a very colourful painting to illustrate Malley's lines: "I said to my love (who is living) Dear we shall never be that verb/ Perched on the sole Arabian Tree (Here the peacock blinks the eyes of his multi-pennate tail)."

The hoax was fairly quickly exposed, not through critical judgment, but through a leak by a journalist friend of the perpetrators. There was the most tremendous stir. Harris was vilified with organic glee by a press whose philistinism could show a clean pair of heels to today's Sun.

Then, not satisfied with this demonstration that, as they had always thought, poetry was bogus, the South Australian authorities prosecuted Harris for the alleged indecency of his non-existent poet, in a surreal court case. Detective Voegelang (later awarded a medal for his successful prosecution) said at one point, "I don't know what 'incrustous' means but I think there is a suggestion of indecency about it."

All good clean fun. But is it worth a book 50 years later? The answer is certainly Yes. Robert Hughes, who introduces the book, claims the affair to have been "without question, the literary hoax of the 20th

century"; and Michael Heyward's excellent account makes clear why. First, it was an act of passionate and devastatingly successful literary criticism. Its authors, James McAuley and Harold Stewart, were to emerge as distinguished poets in their own right. At the time of the hoax they were unknown but possessed pseudodetectors as sensitive as their near contemporaries across the globe - whom they must have resembled in many ways - Amis and Larkin. They abandoned the surrealist movement represented by Dylan Thomas and George Barker in England and energetically followed by

THE ERN MALLEY AFFAIR
by Michael Heyward
Faber £15.99, 284 pages

Harris, which they saw as inflated, undisciplined rubbish. The Malley affair stopped the movement dead in its tracks. It became impossible to write even remotely like this in Australia for 20 years.

But what is really interesting in the affair is the poems themselves. Heyward prints all of them and they can be read as parody or even, indeed, as completely meaningless. They are quirky, witty and evocative, daring even the reader who knows all about their creation to dismiss them entirely. They have attracted quite a cult following and have been reprinted a number of times, most recently in 1991 in a Penguin anthology of modern Australian verse.

Harris's supporters, beginning with Herbert Read, who bravely said that he too would have been taken in, have maintained that the hoaxers build better than they knew, that being genuine poets and allowing themselves to free-associate they justified the tenets of surrealism by producing true poetry. There may be something in this, though it is pretty clear that the authors were in full conscious control of their material.

Whatever one's views on the merits of the poetry, the affair is undoubtedly fascinating. Perhaps it forms a test case for structuralists and others who regard authorship as irrelevant in evaluating a text. Or perhaps it simply justifies George Melly's view that true surrealists always attract surreal events.

THIS IS a highly learned and acutely perceptive book about a little-studied aspect of Victorian history - the esoteric yet powerful codes of conduct that ruled society in the 1830s and 1840s. As the century wore on these came to be relaxed. "Personality for the mid-Victorians functioned on the public stage, lit by moral certainties and wrapped by etiquette books. As the scientific 1870s began to explore the mind's workings, the relation of the public acting to the private thinking self began to alter."

The world of Oscar Wilde was very different from that of Martin Tupper or Samuel Smiles, whose relentless moral preaching was supplanted by that combination of romance, candour and cynicism associated with the *fin de siècle*. This was itself a reaction against another blow to mid-Victorian certainties - Darwinism, with its implications for faith and religion. The Decadents and the Scientists did not agree with each other but neither group had any use for the intellectual culture of the days of the Great Exhibition.

This is a subtle and somewhat discursive book which needs to be read with care and with some previous knowledge of 19th century history - American as well as British, for one of the author's six chapters is

When powerful codes of conduct ruled

Robert Blake discusses a treatise on Victorian etiquette

devoted to "American Manners and Transatlantic Attitudes". It is one of the most interesting sections of a fascinating book.

In discussing the *Ladies Pocket Book of Etiquette* (1838), published in Liverpool and convenient for the boat to New York, St. George defines the difference between manners and the subject of that book. Manners is "the way we relate to everyone else and etiquette the way an individual relates to others in the same class or narrow 'society'". In a recent interview on Radio 4 with an abrasive Australian woman, St. George made the point that good manners are a matter of putting yourself in the place of the people you are meeting and behaving accordingly with civility, courtesy and tolerance.

It is for example customary in American etiquette (i.e. arbitrary usage) first to cut up the meat on

THE DESCENT OF MANNERS: ETIQUETTE, RULES AND THE VICTORIANS
by Andrew St George
Chatto & Windus £20, 330 pages

your plate and then to eat it with fork only, or in China to put your guest of honour on your left, not right. But good manners in any society forbids noisy interruption of other people's conversation, or bar-room exclusives in mixed company, or symptoms of boredom with your neighbour. As Lord Chesterfield observed in his famous *Letters*, "Be therefore, I beg of you, not only really, but seemingly and manifestly attentive to whoever speaks to you". Chesterfield long predated the Victorians but their books on manners

were largely based on his, with the addition, as St. George puts it, of "popular morals and stringent religious conformity appealing to a system which lay outside that of class or social relations".

In this book he uses "manners" in an even wider sense, more like the OED definition as "conditions of society". He takes as his text John Stuart Mill's observation: "The English, more than any other people, not only act but feel according to rule." The successive gurns of this attitude were Tupper first and then Smiles. Tupper's *Proverbial Wisdom* is written in a cringe-making prose/poetry. Shelley maintained that poets were "the unacknowledged legislators of the world" (though one can doubt whether any Bill drafted by him would have got very far with the Clerks of Parliament). Tupper really did for a time lay down the moral law

for the British middle class. He was not as silly as his critics later made out. A man who defeated Gladstone for the Theology Prize at Christ Church, Oxford, could not have been a fool.

But fashions change. The evangelical simplicities which conditioned his outlook faded away and a spiteful sonnet on him referred in its last line to his works as "A monstrous pile of quaintest essential ROT". Smiles never became a comparable figure of fun. He wisely stuck to prose. His best-selling *Self-Help* used biographical examples rather than flowery admonitions to make his point. He continued to be widely read well into the 1880s.

Andrew St. George has written a book which will be obligatory reading for students of Victorian history. He covers a wide range of subjects - furniture; the 1851 Exhibition; the Contagious Diseases Acts; financial successes and frauds; the effect of Darwin and Buckley on thought and religion; the details about calling and leaving cards; clothes, clubs and courtship. I was left with one question mark. If Mill was right about the English being unusual in feeling as well as acting according to rule, why did they differ from other European countries? Perhaps in some later work the author will give us an answer.

Middle East strife

SLEEPING ON A WIRE
by David Grossman
Jonathan Cape £17.99, 326 pages

LEBANON, FIRE AND EMBERS
by Dilip Hiro
Weidenfeld & Nicolson £25, 274 pages

IN 1987 David Grossman's book *The Yellow Wind*, based on conversations with Palestinians in the occupied territories, was published to considerable acclaim. It gave Israelis some thought-provoking and painful reading. *Sleeping on a Wire*, using a similar technique of interviews, will surely do so even more, for it deals with a problem far closer to the bone - a problem, moreover, which too many Israelis have contrived to ignore for too long: their relations with their own Palestinian Arab minority.

After Israel's war of independence in 1948, about 160,000 Palestinian Arabs remained within the borders of the Jewish state. Today they number close to a million. More than 40 years of living as citizens of a state they never felt was truly theirs has given them an unhappy identity, which became increasingly ambiguous since 1967 when they came into direct contact with their Palestinian brethren in the West Bank and Gaza. For the latter the on-going revolt - the Intifada - has been a desperate act of defiance. For the former it has given rise to self-questioning and revived memories.

Arabic is an official language in Israel, yet few Jews speak it and few if any national institutions will correspond in Arabic. The Office for Arab Affairs has been for years an unpleasant department within the Prime Minister's Office. Compared with other Arab societies in the Middle East, Israeli Arabs have fared well in terms of health, education and standard of living - all of which has deepened their resentment at the discrimination they have been subjected to in

thereby diminishing the status of its non-Jewish population. It is over this problem that even the most moderate, peace-loving Arabs and Jews fail to reach agreement.

Perhaps the historic memory of the two nations - of the Jews in particular - prevents a compromise on this issue. So what is to be done? Two possibilities are explored here: autonomy for the Israeli Palestinians in their own canton (ironically, the idea was first mooted by Ze'ev Jabotinsky, the spiritual leader of the right-wing Likud), which is unacceptable to the Jews; or the "transfer" of the Israeli Palestinians to the new Palestinian state, which is what Palestinians fear might come to pass if the extreme right in Israel ever gains ascendancy.

Mr Grossman offers no solutions of his own. Probably there are none for the time being. But at least it seems that at many levels of Israeli society there is now the readiness to discuss, even to understand.

Before it was torn apart by 15 years of civil war, Lebanon presented to the outside world an image of peaceful oriental elegance; it was the Switzerland of the Middle East. The image concealed a precarious reality which bubbled like lava in a volcano.

Hiro, a perceptive Middle East writer, offers an assured guidance through the intricacies of Lebanon's ethnic and political currents. It is a solid, well-documented, comprehensive and comprehensible account.

Elon Salmon

Tricky topic to tackle

ENGLISH literature during the second world war and its aftermath is a fascinating topic but a tricky one because there are still a lot of people around who lived through the period.

Previous books on literature in the OUP series have taken a safer line. J.A. Burrows's subject, for example, was *Medieval Writers and their Work, 1100-1500* and the Regius Professor of English at Cambridge wrote on *Romanticism, Rebels and Reactionaries 1780-1850*. You have got to be either very brave or very insensitive to tackle your own period in your own country.

Emeritus Professor Bernard Bergonzi's book is the sort of chatty account which the late G.S. Fraser used to write. In fact, Bergonzi makes more of Fraser than of many better writers - even to citing, with apparent approval, his potty judgement on Dylan Thomas that he was "below Thomas Gray but perhaps on a level with William Collins". Another favourite of Bergonzi's, Donald Davie, is quoted as "deploring the anachronism of Dylan Thomas playing in 1940 the Rimbaud game" - as good an example of a molehill criticising a mountain as one could wish to find.

What Bergonzi misses, because - as he admits in his Preface - he was "a schoolboy during the war years", is the excitement of those days when you came home on leave and had the heady experience of seeing Stephen Spender in his

fireman's uniform, or hearing W.S. Graham reading his mesmerising poems from *Cage without Grievance*, and of threading your way through the falling bombs to the Stretton Locarno clutching a copy of *Modern Reading*.

Bergonzi relies too heavily on recent accounts by such American academics as Paul Fussell, whose dubious theories bear no relation to the facts. Where are Fred Marnau and Wrey Gardiner, where is

WARTIME AND AFTERMATH: ENGLISH LITERATURE AND ITS BACKGROUND
by Bernard Bergonzi
Oxford £20, 330 pages

Howard Sergeant, manfully producing *Outposts* year after year, where is the infamous Caton of the Fortune Press whose caricature appears in so many of Kingsley Amis's early novels? Where are the anthologies of poetry from Oxford and Cambridge in wartime, of *Poems from the Forces*?

While we are on the poets, Bergonzi makes no mention of some of the older figures who were still going strong in the 1940s and '50s: Walter de la Mare, Edmund Blunden, Basil Bunting, Roy Campbell, Vernon Watkins. There are some even odder omissions - Gavin Ewart, for example, Kenneth Allott, Norman McCaig, Alex Comfort, Denise Levertov, Paul Dehn, Jon Silkin, Dannie Abse, Norman Nicholson, Vernon

Scannell, James Kirkup, Christopher Logue, Laurie Lee, W.R. Rodgers. Christopher Fry receives some space but there is not even a whisper of Ronald Duncan. There is also the automatic assumption - made by so many British academics - that T.S. Eliot is an English writer, despite the fact that he was born by the banks of the Mississippi, returned to his New England roots, read the Upanishads like Emerson and preferred the "lucidity" of Dante to the "opacity" of Shakespeare.

However, the reader who has followed the story so far will be relieved to hear that the book gets better as it goes on. This is partly because Bergonzi gives us less potted history and more literary discussion (like the excellent comparison between Hugh McDermid and David Jones) and partly because he concentrates on the novel. Even here his judgment leaves something to be desired: Wyndham Lewis and Anthony Powell are overrated, for example. The coverage of Waugh, Durrell, Burgess, Wilson, Amis, Wain, etc. is adequate but not inspiring. Bergonzi's opinions arouse contention rather than approval, so that I cannot see this book going down well with the British public. As an outline it might be helpful to, say, a Japanese reader, but Bergonzi is holding up a mirror to an extraordinarily turbulent time without synthesising what he sees.

Geoffrey Moore

RECORDS

A choice of Elijahs

Ronald Crichton reviews some hefty choral works

IN DAYS gone by Mendelssohn's oratorio *Elijah* was regarded in musical circles more or less as part of the British Empire. It was indeed written for the Birmingham Festival and first given there, in 1846. But Mendelssohn set the German words, as *Elias*, before taking immense trouble to fit his vocal lines to an English text (like the German, based on the Bible). Now, back once more in the repertoire, *Elijah* has become international. Two new recordings, made as far apart as Metz and Tel Aviv, both use the German words. For Teldec (9301 73131-2, 2 CDs) Kurt Masur conducts the MDR (Middle German Radio) Choir from Leipzig and the Israel Philharmonic. For Harmonia Mundi France (HMC 901483-64, 2 CDs) Philippe Herreweghe conducts the Chapelle Royale and Collegium Vocale with the Orchestra des Champs-Élysées.

Both readings stress the drama in *Elijah*. I prefer Herreweghe because he presents the vivid episodes (the widow, the boy, the whirlwind) even more sharply than Masur. He is more successful in disguising the musical decline during the last third or so of the work. Mendelssohn had much difficulty at this stage with his librettist, Pastor Schubring. The Pastor was all for moral uplift: the composer wanted more drama. And Mendelssohn was a tired man, sadly overworked. He died one year after the first performance.

The *Elijahs* are both outstanding young singers: Peter Salomaa (Harmonia Mundi) and Alexander Miles (Teldec). Salomaa sounds almost too young, less a Prophet than a promising young priest highly thought of by his Bishop. Miles suggests more experience and authority. All Herreweghe's soloists are remarkable: Soile Iso-koski a radiant soprano, Monica Groop (whom I admired recently as the Composer in Strauss's *Ariadne* at the Opéra-Comique in Paris) a strong alto, John Mark Ainsley a characterful, unsentimental tenor. Masur's Helen Donath and Jari Van Nes are correct, rather dull. His tenor Donald George a little too sweet.

Herreweghe has the better recording chamber - the Arsenal at Metz, a new concert hall by Ricardo Bofil. In the Fred-eric R. Mann Auditorium in Tel Aviv Masur's chorus and orchestra too often melt into a thick paste, obscuring one of the admirable qualities of this score, the orchestral tone-painting - to give one example, the gentle, Hebrides-style swirls and eddies behind the voices in "Blessed are the men who fear Him", hardly perceptible here. Lucky owners of the old HMV/Angel LPs with the New Philharmonia under Frühbeck de Burgos, should hold on to them. Quite apart from the impressive soloists led by Fischer-Dieskau, resplendent as the Prophet, the balance is finer, providing as it were an extra dimension.

Peter Cornelius, composer of the comic opera *Der Barbier von Bagdad*, was even more versatile and civilised than Mendelssohn - nephew of the painter of the same name, actor, writer, poet. In Weimar and Vienna he came into the orbits of Liszt, Berlioz and Wagner, but, in Ernest Newman's words, never lost "his modest independence of manner". That he had something of his own to keep is proved by the *Stabat Mater* recorded for Harmonia Mundi France (HMA 1905206) by the Choir and Orchestra of Cannes-Provence-Alpes-Côtes d'Azur under Michel Piquemal. The

stylish performance should give a sharp jolt to any British listener too complacent to believe that such a standard can be found in a region so little associated with such music.

According to Grove the date of the *Stabat Mater* is 1848, before Cornelius went to Weimar. This may explain the absence of obvious influences but not the assurance and quiet distinction of the work. Of the four soloists the soprano has the most to do and Danielle Borst does it well. The companion piece, *Requiem*, is not the Mass for the Dead but a setting for unaccompanied chorus of a mourning poem by Hebel, one of Cornelius's eminent literary friends.

Two hefty choral works of the present century which one reads about but very seldom hears are the Psalm 47 (O clap your hands) of Florent Schmitt and the Psalm 90 (Give ear, O Shepherd of Israel) of Roussel. A reissue on CD (French EMI, CDM 7 64368 2) of recordings made in Paris in the early 1970s provides a welcome chance of getting to know them. Schmitt's Psalm 47 is a late-Romantic score stuffed with barbaric colour and pulsating rhythm. Meantime one wonders if repeated hearings will not reveal pinchbeck behind the sumptuous glitter, but it is a wickedly

enjoyable sonic experience, hurried at one with total conviction by conductor Jean Martinon (an expert in this repertoire) and the Chœurs and National Orchestra of French Radio. Fanfare piles on fanfare, the soprano soloist Andrea Guiolet threads her way through the tapestry, there is still room for the organ (Gaston Litaize) to top it all. The recording is surprisingly successful in accommodating so much sound.

Nothing pinchbeck about the Roussel Psalm 90 (1929) which Frederick Goldbeck called "as grand a sacred score as was ever composed by an agnostic". Roussel insisted on setting the English text from the Authorised Version. He stressed some of it wrongly, but since the French translation is used here that hardly matters. Roussel has as much rhythmic vigour as Schmitt but his colours are bracing rather than sensuous. The final section is particularly striking, with the chorus softly pleading to the Lord "cause thy face to shine, and we shall be saved" over dying pizzicatos. Serge Baudo, a reliable conductor but less fiery than Martinon, directs the Stéphane Caillat Choir (very good) and the Orchestre de Paris. John Hutchinson is the tenor soloist. A nice change from normal oratorio diet.



Philippe Herreweghe, who conducts the Harmonia Mundi version of Mendelssohn's great oratorio

Play up to the keyboard

Should pianists be musicians? asks David Murray

Haefliger's Schubert Impromptus: SONY SK 53 108
Vogt PICTURES etc.: EMI CDC 7 54548 2
Tan's Beethoven: EMI CDC 7 54536 3
Lively/Gielen Busoni (etc.): Koch CD 311 160 H1
Kissin/Giulini Schumann: Binnis/Lloyd-Jones Balakirev/Rimsky: Hyperion CDA 66640
Lively/Gielen Busoni: Koch CD 311 160 H1.

THE QUESTION is not utterly stupid, for if "No" is an impossible reply, there is still healthy room for a "Yes - within limits". The limits will depend upon how much you include within "musicality". If that takes in everything that makes for an effective performance, there can be no argument; but as pianists become more and more re-

luctant to be identified as "brilliant technicians" - thought to be a glut on the market, though I would not agree - the recognised marks of the Serious Musician become ever more austere.

The trouble with that is that the best part of the piano repertoire makes knowing room for virtuoso magic on its unique instrument. Composers are well aware that each note on a piano is unalterable, once struck, though it can be allowed to die away more or less quickly; not being a true "sustaining" instrument, it can only mimic a singing *legato*. On the other hand, with its multi-fingered attack, its damper-pedal and its rich octave-resonances, the piano can conjure up sounds like nothing else.

Figuration is the name of the game, the art of titivating music for the keyboard. Too many performances on my cur-

rent batch of piano CDs make too little of that, especially where the composers expected pure pianism to carry the day without extending the musical argument by very much. On Sony SK 53 108, for example, Andreas Haefliger offers as searching and purposeful readings of eight Schubert Impromptus - the wonderful late sets, D899 and 935 - as I have heard in some time. I shall return to them often.

And yet: these pieces contain some of Schubert's most memorably *pretty* piano-writing, passages of inspired delicacy that no music-lover can forget - and Haefliger is resolutely un-charming with them ("charmless" would be unfair). Lesser pianists often capture the authentic shimmer better.

Melvyn Tan's EMI programme of mostly lesser Beethoven (CDC 7 54526 2) makes an intriguing comparison. On Beethoven's own Broadwood piano (much restored, I think), he plays Bagatelles early and late, and the G minor Fantasia, with the basically silly variation-sets on "God Save the King" and "Rule Britannia" fore and aft. There is an amount of quirky charm here, just as required. Nothing over-fanciful, but Tan's clever *rubato* - and the chunky, stately appeal of the instrument - bring the music immediately to life; and he is equal to the visionary last Bagatelles, op. 126 (virtually contemporary with those Schubert Impromptus).

The remarkable Yevgeny Kissin, who is still young enough to count as a prodigy, is immaculate - if a touch sober - in solo Grieg and Liszt on Sony SK 52 587. The main offering, however, is the ever-green Schumann Concerto, where Kissin is unsuitably yoked with the veteran conductor Giulini and the Vienna Philharmonic. There are exquisitely realised passages, but too often the pianist is

audibly struggling against Giulini's moody tempi: a fresh, buoyant performance is half-stifled amid all that leisurely reverberance.

On EMI (CDC 7 54548 2), Lars Vogt - distinguished second prizewinner at the last Leeds competition, after Arthur Schnabel - underplays the salon charms of his Tchaikovsky fill-ups, the *Dumka* and three of the "Seasons" pieces. A sonata by his Russian wife, Tatiana Komarova, is sweetly Skryabinesque, and leaves no great mark. In Musorgsky's *Pictures from an Exhibition*, however, he has a number of subtle ideas, deeply musical and always respectful of the text. All that one misses is a sense that the chicks "Ballet", the "Market-place at Limoges" and "Baba Yaga" are tremendous pianistic *fun*: Vogt is excellent, but excessively polite.

We have needed a proper account of Balakirev's posthumous Piano Concerto, and Malcolm Binnis - with David Lloyd-Jones conducting the English Northern Philharmonic, thoroughly idiomatic - has now supplied one (Hyperion CDA 66640), along with Rimsky-Korsakov's less substantial concerto. Binnis is fully equal to Balakirev's athletic demands, as also to his twinkling charm. Just here and there, one would like harder fingers: some of Balakirev's best pianistic *routineries* trade upon the effect of an unstoppable mechanism.

In Busoni's monster Concerto with male chorus (Koch CD 311 160 H1), the American pianist goes through the hoops with tireless panache - which is all he needs to do, for his is essentially a noisy *concertante* role. The music, broad but not very complicated, rests in the safe hands of Michael Gielen, conducting the Südwestfunk Symphony. Busoni fans will have to have it.

WHAT WITH our weather and weird licensing laws, you would not think that Britain could grow too many jazz musicians suitable for export. But we continue to produce new talent and just about sustain the old hands. Pianist Julian Joseph is part of the new crop and with the release of his second album, *Reality* (East West 4509-93024), he maintains the momentum started by last year's surging *The Language of Truth*.

Second albums are always hard to pitch, especially if the first has been a critical success, and Joseph has responded here by lowering the temperature and replacing the soul vocals of Sharon Musgrave with his own crooning on two tracks. The first play works, the right hand shimmering while strong left-hand chords control the dynamic of Joseph's well wrought compositions darkly. The mid-Atlantic crooning is a mistake, however. Its flatness deflates the late night atmosphere created by saxophonists Jean Toussaint and altoist Pete King and the half-baked lyrics are hard to swallow. As a cursed second album, it is a qualified success.

Guitarist Jim Mullen, who has cult followings from Havana to Putney, is one of the old hands we only just sustain. The Glaswegian, who has played in more pubs than Eric Bristow, was most often found seated beside tenorist Dick Morrissey spinning off lithe, dancing solos. But *Soundbites* (EPZ 1003), an unexpected pleasure, shows Mullen moving away from the British jazz funk sound the pair pioneered to original bop compositions. Tenorist Dave O'Higgins, another fine player who has difficulty staying in the limelight, intersperses Mullen's taut lines with grainy choruses which combine to produce a thoroughly English and restrained form of post bop.

Mullen turns up again with his old sparring partner Morrissey on a Willesden produced pease to 1960s soul jazz and the Hammond organ. Mike Carr's *Good Times & the Blues* (Cargogold CGCD 191) is swingingly greasy as Blue Note's finest. The tough talking compositions all belong to Carr and he drives both trio and quartet with the bass pedals of a fast moving but agile C3 juggernaut.

What makes British jazz fun-



Pianist Julian Joseph, who has just released his second album

The best of British

Garry Booth reviews jazz talent new and old

amentally different, arguably, is the direct link to Africa via the blues which defines American contemporary music. Nowhere is that living connection better demonstrated than in the music of pianist Randy Weston. *Volcano Blues* (Verve 519269) reunites the North African explorer with arranger Melba Liston for 13 sides of bright swaying big band charts, spiced with African colour, the whole stewed in the blues. To hear Hamlet Bluiett (baritone sax), Teddy Edwards (tenor) and Miles' heir Wallace Roney jostling with Obo Addy (percussion), Jamil Nasser (bass) and Talib Kibwe (alto sax) is a natural delight.

If Weston shows us where American jazz music comes from, the woofer testing, heavy kicking tunes of electric bassist Marcus Miller shows where some of it is going. *The Sun Don't Lie* (Dreyfus FDM365 602) features Wayne Shorter (tenor sax), David Sanborn (alto sax) and even the late Miles Davis among many others in a bewilderingly high powered, jazz funk tour de force. Miller - producer, composer and virtuoso bassist - has a knack for matching commerciality with credible licks and this latest outing should find favour with the jazz fans. A major influence on Miller and a model for many upcom-

ing electric bass players is the late Jaco Pastorius. At the time of his sudden, violent death in 1997, the American was shaping a solo career which involved innovative big band schemes. The Japanese reissue *Holiday for Pans* (Sound Hills SSCD-8001), which features steel drums, is both grand folly and elegant masterwork. It employs 12 musicians, Toots Thielmans and Wayne Shorter included, with the Mike Gibbs Orchestra plus strings thrown in for good measure. It is not cheap at £22 but worth every penny to hear the Beatles "She's Leaving Home" done by steel drum in a jazz setting.

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BOOKS/ARTS

Fiction

Wading through the muck

Anthony Curtis finds this Indian novel loaded with repellent anatomical detail

ON THE first page of this novel, the hero Jamun, an unmarried Indian man, a Hindu who works in insurance and is highly sexed and highly educated, walks to his office. On the way there he notices in the road a crushed dog from which "blood plays like an effluent". A few pages later he sees "four donkeys (mules?) fucking in the dead centre of the road". They remind him of the cover of the Classics Illustrated Comic of *Cyrano de Bergerac* - "The donkey's cocks are contoured like Cyrano's nose, only farcically longer, all but a foot".

Jamun is urgently trying to get on a flight to his parents' house halfway across the subcontinent. He has just received a telegram from his brother Burfi, a few years older and married, containing the news that their mother Urmila, now in her sixties, has been rushed into intensive care. In a letter preceding the telegram Burfi had explained that "Ma might have rectal cancer. It sounds dreadful and is very likely much worse. Haldia [the physician] said this evening that a lump in the rectum at her age is 75 per cent cancer". Our hero broods on his mother's likely fate. "... Haldia will take away her sphincter and perhaps hawk it to a smooty restaurant, where it might well be used for an hors d'oeuvre ..."

Had enough? There is more to come. Not only is this novel loaded with calculatedly repellent anatomical detail, the style in which it is written is also deliberately off-putting. We know from his earlier novel *English, August* (Faber 55.99) - described on this page when it appeared in 1988 as

"delightful" - that Upamanyu Chatterjee can write with graceful purity. This time he has chosen to impede the narrative-flow with continual analogies as Jamun free-associates between past and present in language that always opts for the recondite word when the simple one will do.

When two enormous cockroaches are discovered in the

THE LAST BURDEN
by Upamanyu Chatterjee
Faber £14.99, 303 pages

sour curd Urmila has prepared for supper, Jamun and his father complain bitterly. There ensues a family row - one of a great many throughout the book. "Urmila ebbs away into hushed, unintelligible moans, like the sighing of the sea on distal sands". At first you think that "distal" there is a misprint for "distant" (which is what it means), but a visit to the Dictionary reveals that it is a Latin word (like better-known "dorsal") used in biology to mean the outermost point of a body or form.

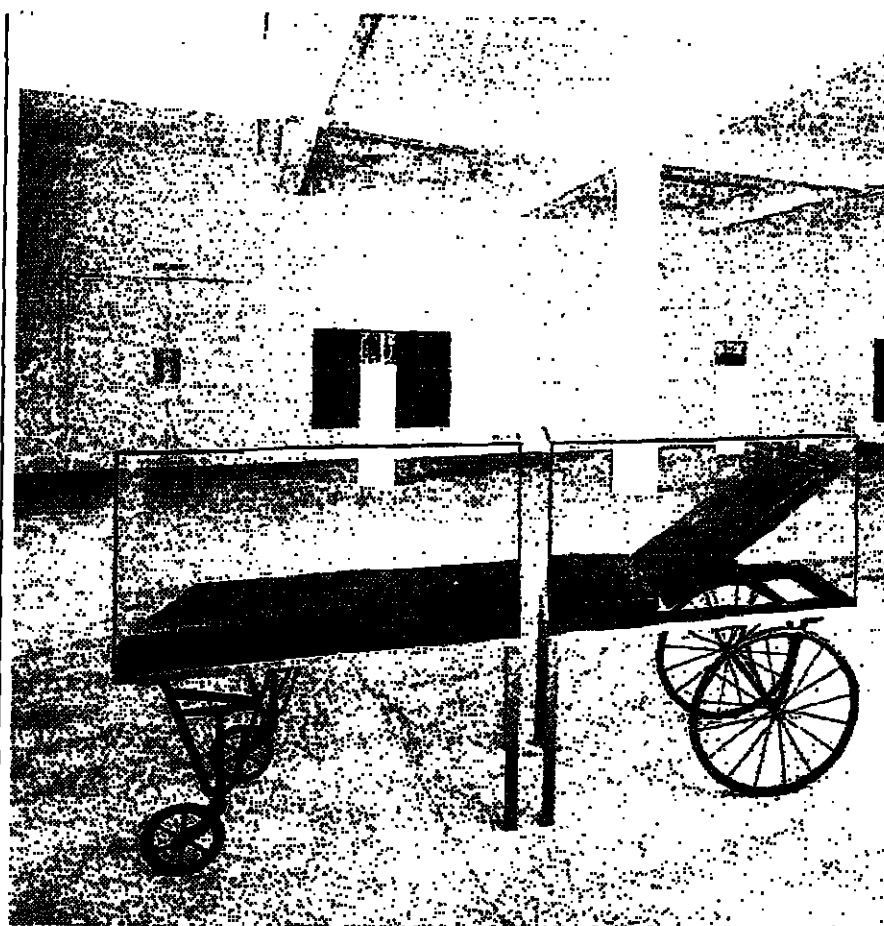
A more frequent affliction is the use of "suffix" as an intransitive verb meaning to utter the last biting remark in a spat as you leave the room. Upamanyu Chatterjee's characters are constantly "suffixing" one-liners as they slam the door in a huff. The Dictionary does not give its support this time. Hitherto "suffix" as a verb has only existed to describe the morphology of certain words (when the syllable "-en" is "suffixed" to the word "short", you get the word "shorten"). What's the betting

that the Chatterjee use of suffix will get into the next edition of the OED?

Examples of such stylistic affectation could be multiplied. They make this a difficult novel to read, but for those who are prepared to persist, and wade through all the muck, there are ultimate rewards in store. By the end we do have a memorably complete picture of one contemporary middle-class Indian family at the moment when, through the collapse of its great maternal pillar Urmila, its temple-like structure lies in ruins.

Never can the bonds of love that bind a family together have been expressed through so much acrimony and ill-feeling. Shyamanand, Jamun's father, is a dour government official now in retirement who has suffered a massive stroke resulting in partial paralysis (all recounted in horrendous detail). He behaves abominably to Urmila and to the other female member of the family Joyce, his elder son's wife who is a Christian. She has borne him two naughty grandchildren whose well-described antics are the most human thing in the book.

The theme of elderly, failing parents and the burden they place on their offspring, emotional, economic, practical, is a universal one losing nothing from being placed with such precision and understanding in an Indian setting. Vikram Seth covered a great deal more ground in *A Suitable Boy* and much more readably in spite of that novel's excessive length. Here, in *The Last Burden*, we remember its handful of figures almost as if they were people who have played a significant part in our own lives.



Kate Smith's exhibition at artist Robin Klassen's Matt's Gallery, London E3, which has grown from a very private enterprise into a gallery of international repute

Galleries off the beaten track

Stagnation in the property market has provided up-and-coming artists with alternative premises. Mary Rose Beaumont reports

AS THE recession bit deeper in 1990-91, the pace of gallery closures accelerated. It became evident that galleries which had been prepared to take risks with young unknowns, and very likely sell their work to newly-rich punters in the heady years of the 1980s, could no longer afford to do so. The galleries that were left played safe with exhibitions of artists of proven selling power and tended to turn away those who were not.

Young artists graduating in the 1980s had become accustomed to selling well for high prices at their degree shows. By the turn of the decade it was no longer so, and the spirit of self-help came to the rescue. The crash in the property market left a wealth of unattended accommodation - disused warehouses, empty shop spaces - which were frequently let to artists on a short lease as an exhibition venue. Some of these exhibitions were spectacularly successful, with reputations made overnight, or at any rate over the course of a few weeks.

A more enduring enterprise is the Defina Studios Trust, an organisation set up by philanthropist and patron Defina Entreprenales at Maryland Works, Stratford, E15 (Tel 081 519-8841). The purpose of the Trust is to give working space to selected young artists for a period of one or two years just when they are at their most vulnerable: they have left college, they are without a studio and they have no visible means of support, moral or practical. Some 18

artists are accommodated at one time and their work is exhibited in a purpose-built gallery twice a year, and the studios may be visited by appointment.

The non-commercial gallery scene in the East End is jumping. Matt's Gallery, 42-44 Copperfield Road, E3 (Tel 081-983-1771), has been in business since 1979. Run by Robin Klassen, himself an artist, each exhibition is a co-operative enterprise between him and the exhibiting artist. In many cases he has been the first to give a solo exhibition to artists now familiar to a wide public, such as Tony Bevan, who showed in May/June this year at the Whitechapel Art Gallery.

Although the gallery is supported by public funds it does from time to time sell work, perhaps most notably Richard Wilson's oil sump installation, "2050", now in the Saatchi Collection. Klassen commissions four or five new pieces every year and, with two spaces each measuring 1,600 square feet, there is always one piece on show in one space whilst another is in preparation in the other. In 14 years Matt's Gallery has grown from a very private event into a gallery of international repute, attracting curators and collectors from all over the world.

Chisenhale Gallery, 84-84 Chisenhale Road, E3 (Tel 01 981-4518) specialises in innovative contemporary art, which is site-specific, created by UK-based artists and artists from abroad. During the last year or so several of the exhibitions have achieved a high profile. The gallery commissioned Rose Finn-Kelcey's

steam installation, which is now in the Saatchi Collection; Grenville Davey's exhibition last November coincided with his winning the Turner Prize, and Christine Borland and Yong Phac-phani were both in the Aperto at the Venice Biennale. The matter has been selected as one of the four contestants for this year's Turner Prize. An exhibition of collaborative works by Richard Deacon and Bill Woodrow, exhibited in May/June this year, was supported by the 1992 Prudential Visual Arts Award Programme.

South of the river, just behind the Design Museum, is the Clove Building, 4 Maguire Street, SE1 (Tel 071 701-8861). Kapil Jariwala founded his gallery in 1989 in Camberwell, but has now moved to the Clove Building to larger and more accessible premises. He shows an eclectic range of artists, both abstract and figurative, and is committed to the notion of the gallery as forum for new ideas. The paintings and sculptures exhibited are nevertheless clearly rooted in tradition.

The Cafe Gallery in leafy Southwark Park (Tel 071 232-2170) is an artist-run gallery founded in 1984. Exhibitions of both established and lesser-known artists are democratically selected, with an emphasis on installation work. The gallery has had an exchange programme with artists from East Berlin, as well as integrating the local community into their exhibition plans. One of the most dramatic installations was Darrell Viner's *Wheel*.

A few intrepid spirits use their own

homes as their gallery. One such is Maureen Paley, an American who has chosen to live in London. Ms Paley founded Interim Art, 21 Beck Road, E8 (Tel 071 254-8077) in 1984, and in two relatively small rooms of her house she has mounted some ground-breaking exhibitions. Two of her artists, Julie Roberts and Angela Bulloch, were shown in the Aperto this year.

In West London another home is given over entirely to art. Dr John Gruzelier, Reader in Psychology at Charing Cross and Westminster Medical School, founded his gallery, Gruzelier Modern and Contemporary Art, three years ago at 16 Maclellan Road, W14 (Tel 071 603-4540) and now has 10 exhibitions a year of new work. In contrast to the spare hang of a white-walled gallery, the work is everywhere, as it would be in a domestic setting. Early on Gruzelier's bias was toward contemporary Scottish painters such as Ian Howard and David Cook, but he has now broadened the base to include ceramics and installation work by artists from the UK and abroad. One such installation is Norwegian artist Ketil Berge's "The Prince's Bedroom" which involves suspending transparent sheets of plastic printed with gnomish images in three of the rooms (August 2-13).

Off the beaten track these galleries may be, but they have the huge advantage of being open at weekends when it is easy to get about and easy to park. The discovery of a hitherto-unvisited gallery is both pleasurable and fun.

All lyrical about dirty realism

Stephen Amidon on the work of American writers who capture the essence of their country

NELSON Algren is the hard luck man of American literature. Not only do his novels deal with men and women down on their fortune, but Algren himself, who died in 1951, never really received the recognition he was due. While contemporaries like Steinbeck and Dos Passos went on to achieve immortality, Algren, every bit their peer, remains in the minor leagues, still awaiting that posthumous promotion to the pantheon.

It is a sign of this hard luck that Algren's remarkable first novel, *Somewhere in Boots*, only now receives its first UK printing, 60 years after it was written. The story details the life and hard times of Cass McKay, a teenager from a West Texas family so impoverished that Cass dreams of becoming a hobo. When his father commits murder he gets his opportunity, hitting the rails for a ride through Depression-era America that is anything but glorious. He is beaten in a New Orleans whorehouse and jailed in El Paso. He winds up a petty robber in Chicago, his future no less bleak than it was back home.

Somewhere in Boots is a masterful book that proves Algren to be a steady-eyed American novelist of the first order. A writer who seamlessly blends lyricism with a truly dirty realism. Compare it with the early work of, say, Steinbeck, and you see the injustice in Algren's relative anonymity. He was an honest artist who was able to raise righteous anger to the level of poetry.

American novelist hovering on the brink of fame, having won the PEN/Faulkner Prize and many fans with his first novel, *How German Is It?* His latest, *Eclipse Fever*, concerns a Mexican literary critic, Alejandro, who becomes embroiled with a nefarious American corporation when its chairman, Preston Hollier, asks him to write

SOMEBODY IN BOOTS
by Nelson Algren
Faber £5.99, 287 pages

ECLIPSE FEVER
by Walter Abish
Faber £14.99, 335 pages

WOMAN HOLLERING CREEK
by Sandra Cisneros
Bloomsbury £7.99, 165 pages

FIONA MOON
by Melanie Rae Thon
Viking £14.99, 315 pages

an article praising the company's plan to build a tourist elevator in the Pyramid of the Sun. Alejandro, whose wife has just left him for a novelist (surely the most painful of fates for a critic), soon becomes enmeshed in Hollier's true agenda - to smuggle pre-Columbian artifacts. Meanwhile, the teenage daughter of the writer cuckolded Alejandro travels to Mexico to view a big eclipse, only to become involved with the art thieves who are supplying Hollier.

Eclipse Fever is a novel that is at once dense and deft, a book whose surface is as smooth as glass but whose depths at times appear impenetrable. Abish is a writer of considerable grace and occasionally great acuity, able to multiply plot lines into seemingly geometric complexity. His take on contemporary Mexico and its love/hate relationship with its overbearing northern neighbour is equally

perspicacious.

That said, the reader should also be warned that Abish's sensibility is an oblique one. While his vision is often photographic, he does not seem particularly interested in arranging his snapshots into the sort of slide show you can sit back and enjoy. Readers who like mysteries solved and enigmas explained will come away from the novel feeling shortchanged by a book that offers as many ellipses as clues.

Mexico also figures strongly in the work of Sandra Cisneros. Her second book, *Woman Hollering Creek*, is a skillful and evocative series of short stories dealing with Mexican-American women trying to live *entre el agua*, or "on the other side", the US. Whether she be a Chilean artist involved in a love affair with a labourer who poses for her pseudo-mythic paintings or an abused Texan wife trying to flee back to her ancestral Mexico, Cisneros's women all suffer the longings and dangers inherent in being trapped between cultures.

Another writer who deftly captures what it is like to be a woman caught between worlds is Melanie Rae Thon. The enigmatic heroine of her second novel, *Fiona Moon*, is a potato farmer's daughter born into a life of unremitting harshness on the outskirts of White Falls, Idaho, where feelings remain unspoken, where men and women bring each other only misery.

Fiona is looked down upon by the other kids, most notably Jay, the town's golden child who is only interested in her in the back seat of a car. When her mother falls ill, Fiona quits school and leaves town to try to make a better life. But she soon returns home, where she finds Jay, having suffered an accident, reassessing a life that had been beautifully charted for him. They discover that they are not so different after all and give each other the strength to start anew.

Thon writes with clarity and warmth about coming of age in a life of limited possibilities, as well as about the stifling effect of rural poverty. Like Algren, she is able to tap that rich blend of American fiction that seeks salvation from deprivation in the lyrical.

Stephen Amidon

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Stater Superior

THERE HAS been so much complaint of late about the West End being over-run by musicals, and there being very little on to entertain the serious theatregoer, that I thought it might be interesting to see if things had been any better in the 1930s and the 1940s.

In the months leading up to the second world war, there were six musicals, four revues and 13 plays. Emylin Williams was appearing in his own autobiographical *The Corn is Green* with Sybil Thorndike in the role of the schoolmarm, who helps him win a scholarship to Oxford. Marie Tempest was starring in *Dear Octopus*, Dodie Smith's tribute to "that British institution the family". John Mills was having a big success as George, the migrant labourer, in John Steinbeck's drama of the American Depression, *Of Mice and Men*, which the Lord Chamberlain banned initially (on account of his bad language) and only relented after it had opened at a club theatre to universally good reviews.

There were comedies by Ben Travers, Lesley Storm and N.C. Hunter. Best of all there was a revival of Oscar Wilde's *The Importance of Being Earnest* with a definitive cast which included John Gielgud, Edith Evans, Peggy Ashcroft, Gwen Frances Davies, Jack Hawkins, Margaret Rutherford and Miles Malleon. This was the only classic revival. The Old Vic was closed, though earlier in the year it had been possible to see *A Midsummer Night's Dream*, *She Stoops to Conquer* and Ibsen's *An Enemy of the People*.

In the months leading up to the first night of John Osborne's *Look Back in Anger* in June 1956, there were seven musicals, three revues, three variety shows, 21 plays - three of them thrillers, two by Agatha Christie. *The Mousetrap* was in its fifth year.

John Clements was running the Saville Theatre as a national theatre, in the middle of a season of classical plays which included *The Scoundrel*, *The Doctor's Dilemma*, *The*

Crazy for - classics! in the West End

Way of the World and was presenting *The Rivals* with himself and Laurence Harvey as Sir Anthony and Captain Absolute with Athens Seyler as Mrs Malaprop. Paul Scofield and Peter Brook were reviving T.S. Eliot's *The Family Reunion* as part of their season at the Phoenix Theatre, which included *Hamlet* and an adaptation of Graham Greene's *The Power and the Glory*. At the Old Vic there was Shakespeare, the company being in

Robert Tanitch on why the London theatregoer has never had it so good

the third year of its five year plan to produce all 36 plays. Edith Evans and Peggy Ashcroft were appearing in Enid Bagnold's *The Chalk Garden*, directed by John Gielgud, hailed by Kenneth Tynan, in a moment of aberration, as the finest artificial comedy that had flowed from an English pen since the death of Congreve. Hugh Griffiths was giving a magnificent performance as General St. Po, a compulsive womaniser dictating his war memoirs, in Jean Anouilh's characteristically cynical and bitter *The Waltz of the Tormentors*.

Eric Portman and Margaret Leighton were playing to full houses in Terence Rattigan's *Separate Tables*. Alec Guinness, Irene Worth and Martia Hunt were giving London its first taste of Georges Feydeau in English in *Hotel Paradiso*. Peter Ustinov was enjoying a popular success in his own play, *Romanoff and Juliet*, the gentlest of political satires at the expense of the Russians

and Americans. Peggy Mount had become a star overnight in Philip King and Falkland Carey's *Sailor, Beware!* Vivien Leigh had turned a minor Noel Coward comedy, *South Sea Bubble* into a box office hit and Brian Rix was losing his trousers in *Dry Rot*.

So, at first sight, it might seem that things were much "better" in the 1930s and 1940s than they are today. There were lots of plays and lots of stars. Nevertheless, in recent months it has been possible to see plays by Shakespeare, Jonson, Ford, Heywood, Middleton and Rowley, Lope de Vega, Shadwell, Gay, Farquhar, Moliere, Marivaux, Ostrovsky, Puccini, Chekhov, Shaw, Pirandello, Priestley, Tennessee Williams, Alan Ayckbourn, Alan Bennett, Alan Bleasdale, David Hare, Peter Whelan, Tony Kushner and Tom Stoppard.

But, it will be said, all these plays have been produced by either the Royal Shakespeare Company or the Royal National Theatre. So what? The RSC and the RNT did not exist before. Besides, in the West End it has also been possible to see Oscar Wilde's *An Ideal Husband* and *The Importance of Being Earnest*, Edmond Rostand's *Cyrano de Bergerac*, Noel Coward's *Hay Fever*, Harold Pinter's *No Man's Land*, Peter Shaffer's *The Gift of the Gorgon*, Arthur Miller's *The Last Yankee*, Terence Rattigan's *The Deep Blue Sea*, J.B. Priestley's *An Inspector Calls*, Sean O'Casey's *Junio and the Paycock* and an adaptation of Graham Greene's *Travelers with My Aunt*. It has even been possible to see Shakespeares on Shaftesbury Avenue.

The London theatregoer has never had it so good. Surely, he cannot ask for more? And if he does, he can go to the Fringe and the opera. The Gate and ENO have produced some

of the best theatre London has seen in the last few years.

It could be argued that the serious theatregoer no longer needs the West End. High production values are guaranteed at the RNT and RSC, the seats are cheaper, the foyers are more spacious and audiences can park their cars.

But what then is going to happen to modern authors who do not fit into the RNT and RSC or indeed the Royal Court repertoire? Now that there are few stars who are capable of filling a theatre on their names alone, the chance of a new play attracting investment becomes more and more unlikely. Brian Friel's *Dancing at Lughnasa*, only got into the West End after its critical and box-office success at The National, and this is also true of Shaffer, Miller and the Rattigan, Pinter

and Priestley revivals, all having to rely on the subsidised theatre to produce them initially. In order for productions to succeed in the commercial theatre they have to be turned into events and clearly an event now means either a musical by Andrew Lloyd Webber or a revival of a famous classic with Maggie Smith, who is the only British actress these days who can ensure massive advance bookings before the play has opened.

Actor Timothy West recently suggested to me that one solution would be for some of the smaller theatres (e.g. The Duchess, The Fortune and The Ambassadors) to be turned into "off-West End" theatres where actors would not be paid. West End prices and straight plays could play to a minority audience for an open-ended run with a top price of £14 and the bulk of the seats at £10. This would, of course, involve not only negotiations with theatre unions, but also with the theatre owners who would have to be willing to reduce their rents. It is plain that unless something is done, the present situation will continue.

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CHESS

REGIONS

ANGELIA:
12:30 Movies, Games and Videos, 1.05 Angel News, 1.10 The Times Television 5-A Challenge, 1.55 The A-Team, 2.50 Journey to the Center of the Earth, (1959) 5.00 Angela News and Sports, 5.10 Baywatch, 9.45 Angelia Weather.

ANGELIA:
12:30 Movies, Games and Videos, 1.05 Borderline, 1.10 Kick Off, 2.00 GrangeStar Sport Action, 2.50 The Times Television 5-A Challenge, 3.00 Angela News and Weather.

CENTRAL:
12:30 Movies, Games and Videos, 1.05 Central News, 1.10 CORPS, 1.55 Nigel Mansell's IndyCar '93, 2.10 The Mustang, 2.50 The Times Television 5-A Challenge, 3.00 WCW Worldwide Wrestling, 5.00 Central News, 5.05 The Central Match - Goals Extra, 9.45 Local.

GRAMPIAN:
12:30 CruiseCar, 1.05 Grampian Headlines, 1.10 The Times Television 5-A Challenge, 1.55 Police News, 1.50 Movies, 2.50 The Times Television 5-A Challenge, 3.00 Nigel Mansell's IndyCar '93, 3.50 The A-Team, 3.50 Out of Limits, 3.55 WCW Worldwide Wrestling, 5.00 Grampian News, 5.05 Grampian News Review, 8.45 Grampian Weather.

GRAMADA:
12:30 Movies, Games and Videos, 1.05 Grada News, 1.10 Kick Off, 2.00 Grada Sport Action, 2.50 Grada News, 5.05 Goals Extra, 5.10 Baywatch.

HTV:

1.10 Nigel Marness's IndyCar 3.5, 1.40 The Mountain Bike Show, 2.10 Get Wet, 2.40 McCloud's News and Sports Results 8.45 MTV Weather.
RESULTS
12.00 Movies 1.05 Marness Today, 1.05 Marness News, 1.10 Nigel Marness's IndyCar 3.5, 1.40 The Mountain Bike Show, 2.10 Once Upon A Sea, 3.55 WGVW News, 4.00 Weathering, 5.00 Marness News
12.30 Movies, Games and Videos 1.05 Scotland: The Story, 1.10 Tanya, 1.40 Aaral Scott 2.10 American Idol, 2.40 The Weirpons, (1956) 5.00 Scotland Today 8.10 Tanya Time, 5.30 Farnham Festival 8.45 Sports Results
TYNE TIMES:
12.30 Movies, Games and Videos 1.05 Tanya Time, 1.10 Tanya, 1.40 Aaral Scott 2.10 American Idol, 2.40 The Weirpons, (1956) 5.00 Scotland Today 8.10 Tanya Time, 5.30 Farnham Festival 8.45 Sports Results
GLUCKSTADT:
 1.05 Marness Today, 1.05 Marness News, 1.10 Nigel Marness's IndyCar 3.5, 1.40 The Mountain Bike Show, 2.10 Get Wet, 2.40 McCloud's News and Sports Results 8.45 MTV Weather.
WESTCOUNTRY:
 1.05 Marness Today, 1.05 Marness News, 1.10 Nigel Marness's IndyCar 3.5, 1.40 The Mountain Bike Show, 2.10 Get Wet, 2.40 McCloud's News and Sports Results 8.45 MTV Weather.
WYNDHAM:
 1.05 Marness Today, 1.05 Marness News, 1.10 Nigel Marness's IndyCar 3.5, 1.40 The Mountain Bike Show, 2.10 Get Wet, 2.40 McCloud's News and Sports Results 8.45 MTV Weather.
YORKSHIRE:
 1.05 Marness Today, 1.05 Marness News, 1.10 Nigel Marness's IndyCar 3.5, 1.40 The Mountain Bike Show, 2.10 Get Wet, 2.40 McCloud's News and Sports Results 8.45 MTV Weather.

REGIONS

[illegible]

100

The Asking. 8.00 Newsdesk.
\$ 30. From Our Own

Correspondent: Write On, 8.00
News: Words of the Day, 8.00
Record, 10.00 News: Business
Review, 10.15 Short Story: The
House and the Pot, 10.30 Folk
Songs, 10.40
Round-up, 11.00 News
Summary: Science in Action
11.30 BBC Evening News
News and Press Review in
German, 12.00 Newswest
12.30 Story of the Week: That
Man, 1.00
News Summary: Images of
Women, Images of Men, 3.30
Anything Goes, 4.00
BBC English, 4.30 News and
Features in German, 5.00
News: News About Britain:
Images of Women, 5.30
From America, 6.00 BBC
English, 6.30 News
Summary in German, 6.45
Music: Inside Out, 7.30 Europe
Today, 8.00 News: Words of
Folk: Sportsweek, 8.30 Brain
in Britain, 10.00
Round-up, 11.00 News: News
About Britain: Short Story: The
House and the Pot, 11.30 Letter
From America, 11.45
Round-up, 12.00
News Review: Ray On
Record, 1.00 Newswest, 1.30
The Plain of Gold, 1.45
News Summary: The Record
Producers, 2.45 Arabian
Producers, 3.00
Composers of the Month:
Folk: News Summary, 4.00 News:
Mendelessohn, 4.00 News:
Mendelessohn, 4.15
News Summary, 4.30
English, 4.45 News and Press
Review in German.

their deci-
ategic prin-

22 Rg7+! Resigns.
PROBLEM NO 987



Solution Page XVI

♠ A 3
 ♥ A Q 2
 ♦ Q 6 2
 ♣ A 7 5 4 2

♠ J 9 ♣ Q 10 8 3
S
♥ K Q J 10 8 6 4
♦ 6 3

badly. After North's six clubs, South should have bid six no-trumps. As North holds no king, he must have two

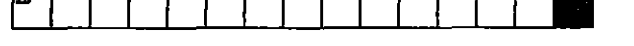
bidding with one no-trump - a minimum with poor "undergrowth" - and South bid a Gerber four clubs, asking the opening lead.

Learning from the reply of six clubs that North had no king, South bid six spades, concluding the auction.

CROSSWORD

No. 8,228 Set by DINMUTZ

	1	2	3	4	5	6	7	8
9								



1 Permanently white sheets in
folds, we order (9)
2 Jabber in the clinic? (7)
3 Ribbons knotted as a favour
(7)
4 Love affair of a doctor visiting
ancient city (5)
5 Beach patrolman always a
thrifty sort, we hear (4-5)
6 What about energy in break-

15 Incompetent without a shirt?
(9)

23 Former US president going to a dance (5)
 24 French banker has nothing in Italian currency (5)
 26 Unaffected grassland (5)

A	S	S	P	R	O	D	U	C	E	E	L	F
E	A	N	P	L	N	O						
A	C	E	S	E	X	T	R	A	C	T	O	R
O	E	T	T	I	B	A	A					

T	H	R	O	M	B	U	S	A	S	T	E	R	N
A	H	O	M	A	E	R	A						
B	A	Y	O	U	P	U	S	H	C	H	A	I	R
L	M	N	I	Y	O	T	C						

S	P	A	R	C	H	E	M	A	T	E	A	I	R	D	R	O	P	C	O	C	H	I	N			
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G	R	E	T	A	R	M	A	D	I	L	L	O	T	E	M	P	I	T	E	A	M	M	A	T	E	S
A	I	C	P	R	O	R	E	O	L	A	S	M	L	I												
R	C	H	E	S	T	R	A	S	C	O	T	F	I	R	E	W	O	R	K	S	A	H	E	A	D	

deerde; Philip J.R. Wright, Crewe, Cheshire; D.R. Martin, Weston-super-Mare, Avon

Private View/ Christian Tyler

The whole Globe on his shoulders

IT TOOK Shakespeare and his fellow shareholders a few months to move their Globe theatre from Shoreditch to Bankside in 1598. It will have taken Sam Wanamaker, the American actor-director, more than 25 years to reconstruct it - if he gets there at all.

His monomaniacal dedication to rebuilding the Globe has been more derided than applauded. But four sections of a 20-sided timber playhouse have risen from their concrete plinth by the River Thames, two more will be added in September, and last month Wanamaker was made an honorary Commander of the British Empire. Are the doubters themselves beginning to doubt the thing can never happen?

I found the 74-year-old impresario in his Bear Gardens museum next door, wrapped against the summer cold, and asked him what made him persist. Any normal person, I said, would have quit long ago.

"Yes, that's true. I think it's because I'm a stubborn person, that I have very strong convictions and that I had - and have - a vision of what this project will be. And it can only be successful. It can only be successful on all kinds of levels. It will transform the nature of theatre in this country and in America."

There are mock Globes all over the world, though none claiming the architectural authenticity of this one. Wanamaker saw his first Shakespeare in a Globe in Chicago, where he was born. As a drama student he worked in another replica at the Great Lakes festival in Cleveland, Ohio.

"So when I came to England in 1949 to find the original Globe and found nothing except a plaque on a wall, I was bewildered. There was potential for touristic exploitation."

Wanamaker's reconstruction is about 100 yards from the remains of the original Globe, which lie directly behind the head office of the *Financial Times* and next door to Christopher Marlowe's Rose Theatre. The foundations of both were uncovered recently - a mixed blessing, as it turned out, for the Bankside pioneer.

Wanamaker will not - cannot - see anything wrong with his idea. Why, then, has it taken him a quarter of a century to realise it?

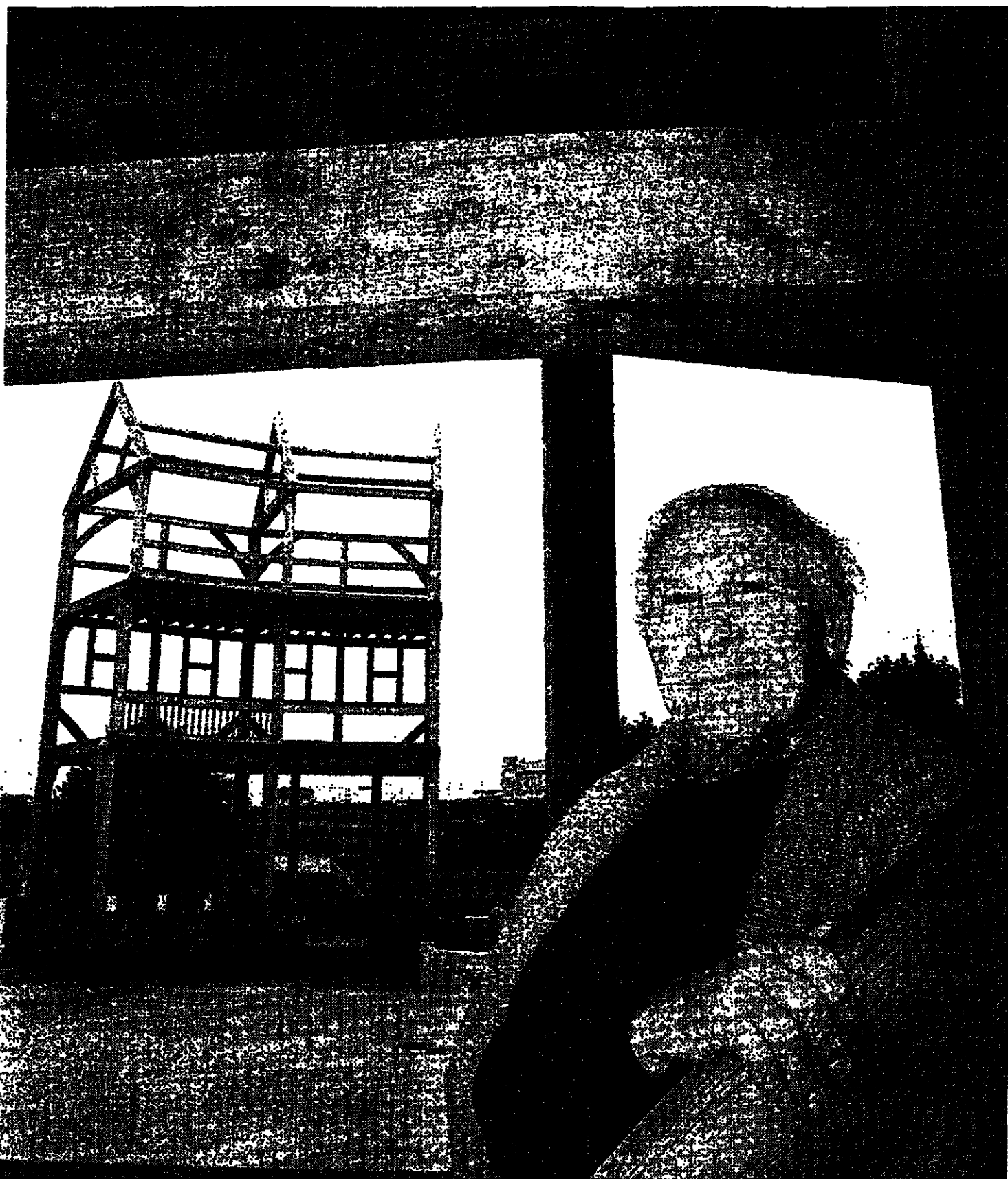
The usual answer is that Shakespeare is already in good supply. The National Theatre is half a mile along the South Bank, the Barbican Theatre, the London home of the Royal Shakespeare Company, is across the water, and Stratford-on-Avon amply satisfies the need for a national shrine.

Wanamaker has better explanations. For one thing, he said, the Establishment has a down on him.

"I am convinced that if somebody like Peter Hall or Ian McKellen or Trevor Nunn had decided this was a good idea it would have been built years ago, with government funding. But I was an alien in more ways than one: I was not only a British alien, I was a London alien and a Southwark alien. The theatrical establishment has no truck with me whatsoever."

Why is that?

"You can well ask, I think it's typical British condescension. First of all they don't think Americans can do Shakespeare - that it's their British birthright. I haven't got a great theatrical Shakespearean background: I don't claim to be an expert Shakespearean. But not one - and I know them all - not one of them has given me their voluntary support for this project." His voice had risen angrily. "Not one, in the 24 years that I've been involved. They clearly believe that what I



Sam Wanamaker has spent 24 years battling to rebuild Shakespeare's theatre

was trying to do was self-aggrandizement. They also had, I think, that innate suspicion regarding all Americans - that they are money-grubbing, out to make a fast buck. Did you, as a matter of fact, think you might make a lot of money out of it?

"No, I never thought I would make a lot of money out of it. I have been accused of this over and over again by the local authority. I threatened to sue one of the Southwark council members who said this in the chamber."

He continued: "A lot of my British friends say I'm obsessed by this... what is it?... xenophobia, and think I'm exaggerating. That's part of their demurring that there is no

such attitude to Americans. You know very well there is. It's resentment for the fact that they had to turn to the Americans for help during the war. They welcomed it, and they resented it. And they still resent it."

It was not the Establishment but the newly-elected left-wing Labour council of Southwark in 1982 which did most to defeat him. Intent on restoring industry and housing to the south bank, they rescinded the decision of their moderate predecessors to give Wanamaker a site. It took him three years and a court action to get his planning permission back.

Wanamaker felt this blow keenly because he had himself been black-

listed in the US as a leftist. He is a British resident because in the early 1950s he was sub-poenaed by the House Un-American Activities Committee while filming in Britain and decided not to go home.

"I said (to the council): 'I'm on your side, but what you are doing is destroying a potential for new jobs, housing and industry.' I tried every way. It didn't matter that I was left-wing, blacklisted. They didn't give a damn about that. My whole history is creditable in terms of the action and sacrifices I undertook of time and money and effort to win through on social causes. I came from the working class. My father was poverty-stricken. As much as I appealed to my history, they just

absolutely turned a blind eye."

The discoveries of the Rose and Globe remains should have helped Wanamaker more than they did. According to him, the "Establishment theatricals" seized on the "real" Rose to discredit his "fake" Globe. Negotiations for joint fund-

raising failed and Wanamaker says he severed relations when Rose supporters began suggesting that Shakespeare had both acted and been acted at the Rose. "There is not one iota of evidence for that." His blood pressure rose again when the press reported recently that an unknown American was negotiating with Lord Hanson, owner of the original Globe site, to buy the land and put up his own

replica.

"The press is extremely naive," Wanamaker thundered. "They just pick up this press release. They don't ask who this man is. Do they call Hanson and say is he really negotiating or what? No. They just print the bloody story." He was shouting now. "Then they call me up and say 'Whaddyaon think...?' You get pretty angry about things, I said. Does it keep you awake at night?"

"No, never! I don't get really angry, I get passionate. The difference is distinct. I flare up from time to time at the stupidity of people and the short-sightedness of people... it doesn't take much imagination to see the potential of this."

What about your health? Is this thing driving you to an early grave?

"It's helped to keep me going. It's helped to keep me young and active and alive and it's involved me with all kinds of circumstances and people I would never ever have experienced."

What about the worry?

"No, I'm not a worrier. I sometimes get frustrated with people and situations but that never affected my health and never did anything but make me more determined."

That Wanamaker should still be trying to raise money after so many years made me wonder whether it was, in the end, his own personality that was the biggest obstacle to realising his dream.

He reflected, "Well, I think it is true to say that I have a difficult personality, that I rub people the wrong way - some people," he added quickly, "some people. It's also true to say that the bulk of the funding has been raised by me. Now, the only way you can raise money from the private sector is on a one-to-one basis."

"Therefore I think there is a contradiction between my personality possibly being abrasive and the fact that I have the ability to convince people in a very difficult situation. It's very hard to judge oneself and one's personality."

After so many years you must have a pretty good idea.

"Well, I'm tenuous..."

Is your abrasiveness due to frustration, impatience...?

"Impatience, probably."

Because people are stupid, slow-witted?

"No, they're not stupid."

What is it?

"Well, you know I depended for many years on volunteers. People say they will do something and then don't do it. And that made me impatient. And of course I was very bitter, I suppose, with the extreme left in Southwark."

Do you think you convey the impression of someone just trying to raise money for a self-glorifying project?

"No. Anybody who knows me, or spends time with me, cannot believe that I am superficial, or phoney or dishonest or self-aggrandizing. Cannot believe it. It doesn't take more than a few minutes of discussion with me... and I defy anybody to prove that I have ever gained anything out of this project other than a marvellous experience of life."

Wanamaker has spent £10m so far, needs £2m to complete the Globe and £2m to build the rest of a complex which is to include a second, indoor theatre, a museum, lecture hall, library, shops and restaurants. He says the proposed national lottery may help him.

Is this thing definitely going to be built now?

"How can you ask me that question after what I've said? Yes, Yes, Yes! It's on its way to being built."

Corn on the cob

Michael Thompson-Noel



GOOD OLD

Country Life. Some people are rude about it, you know. They say it is antiquarian, mimsy, mamsy, camp and affected - cynical in its defence of a way of life and a set of values that should have died out in the Middle Ages.

At the Notting Hill dinner parties I usually go to - we eat everything with our fingers and have millions of tons of cred - there is nothing like *Country Life* for generating laughter. You only have to mention it and the hands on the clapperometer whirl giddily round and round.

"Did you know", someone will say, quoting a recent article, "that a set of Windsor chairs at Beaulieu, emblazoned with the arms of the second Duke of Montagu, may be the earliest Gothic-Revival chairs in existence?"

Or: "According to *Country Life*, the science of breeding English foxhounds was revolutionised in the first half of this century - the aim being to lighten their conformation and improve hunting ability by use of the Welsh outcrop."

Or: "The arrival of warm, sun-burnished corn cobs in the kitchen is a reminder that the year is growing old. Snatched piping hot from the pan, corn-on-the-cob needs no other accompaniments than a supply of melted butter, a dish of fine sea salt, a fully charged pepper mill and a large, absorbent napkin."

Or: "It's a terribly good summer for voles..."

I never join the laughter. For my



money, *Country Life* does a stalwart job in defending traditional values. It is a bulwark against the knockers, positive vs negative, a winking blip of sanity in a crazy, warring world wracked by pre-millennial tension.

I especially enjoyed its editorial comment in the August 5 issue, applauding the news that porters have been reinstated at London's King's Cross rail station just in time for the grouse season. "When sportsmen and women will begin the traditional struggle towards sleeper compartments, slung about with guncases, fishing rods and well-seasoned luggage. Now they need only part with a couple of pounds to find their impedimenta - up to five places - carried for them."

Well spoken, *Country Life*. But it did not rest on its laurels. Instead, it broadened its argument by calling for changes to the employment laws so that it would be easier to find servants to work in the countryside. It wants the cost of employing domestic staff to be lower than against tax. "The notion that only the small number of [house] owners lucky enough to employ butlers would gain from it is absurd," said the magazine. "The majority of domestic staff in the countryside consist of daily cleaners, gardeners and grooms who work in and round houses that are by no means dual."

I agree with this entirely. I have a PA and a cleaner; otherwise I am bereft. I choose my own clothes in the morning, I drive myself to work where I have to operate the lift (elevator, to Americans) to reach my third-floor office. I do my own telephoning and all my own typing and actually write this column. Yes, I write this column personally. No one lends a hand. You would think I would write the intro and then someone would take over. At lunch in the corporate restaurant I choose all my own food and stagger around with a tray. Then I do more telephoning and perhaps a bit more typing and probably attend a meeting. - I have to attend in person - and then I drive home again through nasty busy traffic where I cook my own dinner and choose a bedtime book which I have to read on loud to myself because there is no one to read it for me.

All of which is outrageous. I am not the sort of person who was put on this planet to choose his own clothes, drive himself to work, operate lifts (elevators, to Americans), do his own telephoning, actually write a column, serve himself in restaurants, personally attend meetings, cook his own dinner, read his own book or wrestle with any of the humiliating tasks and challenges which beset modern life.

I am the sort of person who should live in a moated manor house with servants to dress him, drive him, feed him, read to him and tell him whether this is a good summer for voles or an absolutely brilliant one.

Dear old *Country Life*. Its campaign for tax deductible servants is steeped in righteousness. The next time people laugh at it at a Notting Hill dinner party I shall hang my corn cob on the table and make my opinion known.

I READ the other day that Liz Forgan, the boss of BBC radio, was worrying about accents. She has commissioned research into what the London *Evening Standard* called the "tyranny of the well-spoken south over national broadcasting." She said: "I think sometimes we sound a little monotonous... like a narrow slug of the population."

I am as prejudiced as any narrow slug and, therefore, glad to take advantage of the BBC. But all I have to contribute is to wonder why our concern to give regional accents a fair hearing is not shared elsewhere.

In countries as different as France and Poland, you go to a special school to make sure you speak properly before broadcasting. In Germany, if you work for *Bayerische Rundfunk*, you might allow a trace of Munich or Upper Bavaria in your voice, but no more. In Switzerland, the national news is read in Hochdeutsch, or standard

As They Say in Europe / James Morgan

English like it should be spoke

German, even though no Swiss-German speaks it routinely. The only European country that allows significant variations in speech is Spain - but for local broadcasts only. Even in England, surveys have shown that people prefer the sound of standard English.

The problem goes much deeper, however, than agonising over the precise mix of regionalism that is necessary.

There was a letter in *The Guardian* last April from Professor Richard Hogg of Manchester University. In it, he contested an assertion by the education secretary, John Patten, who had said that "Clive and me went to Wembley" was incorrect grammatically.

Hogg replied: "The sentence may

not be formally correct but it is grammatically correct, just as the equally correct 'Clive and I went to Wembley' would be inappropriate in many informal situations (such as the school playground)."

This was a savage blow to people like me who had been taught that "I" was the subject and "me" the object, only to be varied in the case of "It's me." (The French similarly say "C'est moi," but no professor of French would say that *moi* and *je* are interchangeable.)

In England, it is necessary to accept situational grammar. Yet Prof Hogg has left me with many worries. Is the following sentence correct? - "Dave and me was up the Garden last night watchin' *Turandot*." Gwyneth Jones sung real

good."

In other countries, any form of incorrectness, let alone yob-speak, is regarded with derision. Lech Walesa is sneered at by Warsaw taxi drivers for his failure to employ the locative case correctly. The greatest enthusiasm for linguistic purity is found among the people whom I regard as the best educated in Europe, the Czechs. When I was in Prague shortly after the fall of communism, among the many graffiti was the frequent appearance of one word, *Myšas* - a jibe directed at the last communist boss, Milos Jakes.

The point is that *je* and *y* sound the same in Czech but their use is defined strictly. Jakes himself spoke bad Czech and this contributed to the contempt in which he was widely held. The graffiti implied that he could not spell his own name.

Accompanying Prof Hogg's letter in *The Guardian* was one from Andy Gibbons of the Campaign for Raising Standards in English, a name that many will find curiously misleading, for he wrote: "Expressions such as 'We were...' are a social irritant rather than a barrier to communication."

I now realise I must drop my hidebound approach to the English language and accept the doctrine that everything is as good as everything else and sometimes much better. Nevertheless, I still worry why it is that I find "me" less acceptable than "us" is.

There remains the problem of what to do about those who put their officially-sanctioned freedom into practice and end up unemployed rather than as doctors, investment bankers or barristers.

In countries which have yet to catch up with Britain, the standard spoken tongue is respected because it provides a standard; it is the language that a foreigner learns, the tongue in which normal debate can be conducted while minimising the risk of being misunderstood.

Those who speak the standard tongue are not especially respected. But they are certainly not derided; they provide a barrier against anarchy.

When I was in Japan recently, I saw a bilingual sign in a shop. The English version said: "Children's wear." That is right. Not "Children's wear," nor even "Children's wear." They are so tedious, the Japanese, fussing about getting things right.

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kind of freedom. From one minute to the next, life on the river is constant change."

And so it is. By late evening, the radar screen glowing green in the darkness of the *Vecht's* wheelhouse, we had passed the lights of the town of Boppard and moored out of the main shipping channel for the night.

Under the aft-deck the Veldmans retired to a sitting room full of books and music and plants in quarters as comfortable as those of any suburban flat. With the Veldman children far away in boarding schools in the Netherlands, I settled down for the night in a snug bedroom wall-papered in clouds of pink and white. Surrounded by puppets

and wide-eyed dolls and the sound of the current ceaselessly swirling around the stern. I drifted through a night of restless dreams.

IT DID not last long. By 5am the floor beneath my bunk shuddered, the engine below roared into life and we were moving between the high hills of the Rhine gorge. This is the narrowest part of the river on its 1,000km length between Lake Constance and Rotterdam on the North Sea, and also the fastest.

Up on deck, passing St Goar with

the great defensive walls and turrets of Rheinfels castle above us, I saw that the river's width had shrunk from its customary 100m to something less than 50m. The surface of the water was covered with rags of drifting mist, but they were not thick enough to hide signs of a current now surging downstream at more than 10kph. That may not sound fast. But in a narrow channel where 100m boats are negotiating winding bends, where eddies, whirlpools and broken white water cover submerged rocks and sandbanks, it is very fast indeed.

It is fast enough that the Lorelei,

the high slate cliff that plunges into the Rhine in the mid-section of the gorge, has become celebrated in Germanic myth and song as a destroyer of ships and men. Certainly, watching Jan Veldman concentrating at the helm of the *Vecht* as she churned upstream through white water, it was fast enough for me to realise that the Rhine, no matter how domesticated and business-like it has become, remains an exciting river, one of the great waterways of the world.

That afternoon, some 180km from my starting point at Bonn and two hours past the confluence of the

Rhine and the Main, I bade my farewells and jumped ship. It was time to head back down the river and home. In Rudesheim - a renowned producer of Rhine wine and one of the kitschiest tourist traps in Germany - I boarded the *MV Koblenz*.

As if on cue the clouds cleared, the sun appeared and the river turned from leaden grey to sparkling blue. From the crowded glassed-in dining room of the tour-

boat, the Rhine had become another river. The work-a-day world of the river disappeared and was replaced by the Rhine of dramatic sight-seeing and syrupy *gemutlichkeit*.